FOR THE FISCAL YEAR ENDED MARCH 31, 2000 | PUBLISHED IN SEPTEMBER 2000

TREASURY ANNUAL REPORT

Alberta
TREASURY

100-07561/

Treasury Annual Report 1999-2000

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PREFACE

PUBLIC ACCOUNTS 1999-2000

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released June 29, 2000 contains the Provincial Treasurer's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Treasury contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Treasury, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible,**
- **other financial information as required by the Financial Administration Act and Government Accountability Act, either as separate reports or as part of the financial statements, to the extent that the Ministry has anything to report,**
- **financial information relating to trust funds, and**
- **the report of the auditor of the Office of the Auditor General included in the annual report of the Auditor General, which is hereby incorporated in the Public Accounts by reference.**

MINISTER'S ACCOUNTABILITY STATEMENT

The Ministry's Annual Report for the year ended March 31, 2000 was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at August 31, 2000 with material economic or fiscal implications of which I am aware have been considered in the preparation of the Ministry Annual Report.

Dr. Stephen C. West
Provincial Treasurer

August 31, 2000

A MESSAGE FROM THE PROVINCIAL TREASURER

Alberta Treasury played a lead role as the government struck the right balance between fiscal responsibility and quality of life.
Alberta's new tax plan and the acceleration of increased savings to Albertans were key achievements this past fiscal year. On January 1, 2001, a full year ahead of schedule, Alberta will move to a single tax rate of 10.5%, based on personal taxable income rather than the basic federal tax. The basic personal, spousal and equivalent-to-spousal exemptions will increase substantially, to $12,900 and bracket creep will be eliminated.

The new tax system will result in annual tax savings of $1.3 billion for Albertans and 190,000 low income Albertans will be removed from the provincial tax rolls.

For the sixth consecutive year, the province's budget was balanced and, this year, a record payment of $2.7 billion was made both to reduce Alberta's debt and to increase our assets. As a result of this payment, the province's net debt was eliminated in June 1999, and we are on track to reach the goals outlined in the Fiscal Responsibility Act, eliminating the remaining accumulated debt by no later than 2025.

Interest savings from debt repayment and revenue from Treasury's other businesses provided more revenue for the government to distribute for services to Albertans. Our efforts in repaying the debt since 1994-95 have permanently saved nearly $800 million per year in debt servicing costs. That's money now being used to fund Albertans' priority areas like health and education.

Alberta Treasury staff were recognized for their work and dedication winning two of the 2000 Premier's Awards of Excellence. One was for the Office of Budget and Management's Performance Measurement unit for *Measuring Up*, our outcomes-based accountability framework. The other Premier's Award was for Tax and Revenue Administration's Propane Tax Simplification. TRA also won a 1999 Premier's Award for negotiating the International Fuel Tax Agreement. The Performance Measurement unit also won an Institute of Public Administration award for *Measuring Up*.

Throughout the year Treasury continued to report to Albertans regarding the province's finances and the government's progress in achieving its performance targets.

The success of this year is a tribute to the staff of Treasury who listen to the priorities of Albertans and find solutions that will benefit the province today and for years to come. We look forward to the next fiscal year when Alberta's new tax plan will be fully implemented and we apply additional solutions to Albertans' goals of debt repayment and lower taxes.

Dr. Stephen C. West
Provincial Treasurer

August 31, 2000

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The executives of the individual entities within the Ministry have the primary responsibility and accountability for their respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Provincial Treasurer. Under the direction of the Provincial Treasurer, I oversee the preparation of the Ministry's annual report, including the consolidated financial statements and performance results. The consolidated statements and the performance results of necessity include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Provincial Treasurer, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board and the Provincial Treasurer any information needed to fulfil their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

The Ministry of Treasury includes:

- *Department of Treasury*
- *Alberta Heritage Foundation for Medical Research Endowment Fund*
- *Alberta Heritage Savings Trust Fund*
- *Alberta Heritage Scholarship Fund*
- *Alberta Risk Management Fund*
- *Alberta Insurance Council*
- *Alberta Municipal Financing Corporation*
- *Alberta Pensions Administration Corporation*
- *Alberta Securities Commission*
- *The Alberta Government Telephones Commission and its subsidiaries*
- *Alberta Treasury Branches and its subsidiary*
- *Credit Union Deposit Guarantee Corporation*
- *N.A. Properties (1994) Ltd.*
- *S C Financial Ltd.*
- *Gainers Inc.*
- *Supplementary Retirement Plan Reserve Fund*

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

Peter Kruselnicki, P.Eng.
Deputy Provincial Treasurer

OPERATIONAL OVERVIEW

Treasury oversees government performance measurement, financial management and reporting. Treasury is responsible for fiscal planning, intergovernmental fiscal arrangements, tax policy, tax administration, economic analysis, statistics, public pensions, regulation of private sector pensions, and administrative and financial services regulation.

TREASURY'S GOALS FOR 1999-2000

1. A healthy and sustainable financial position.
2. Appropriate financial and performance information available to allow Albertans to hold government accountable.
3. A fair, competitive and simple provincial tax system managed efficiently and effectively.
4. Investment returns maximized and borrowing costs minimized subject to acceptable risk.
5. Promote an efficient, fair and competitive capital market and an efficient and fair regulatory environment for financial institutions.
6. Quality financial services to Albertans through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration Corporation.

TREASURY'S CORE BUSINESSES

1. Provide analysis and recommendations to the Provincial Treasurer and Treasury Board.
2. Maintain a framework that fosters government accountability.
3. Administer and collect tax revenue.
4. Manage the province's financial assets and liabilities.
5. Foster a fair and efficient financial marketplace.
6. Provide financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration.

TREASURY'S MISSION

To provide excellence in financial management, services and advice to achieve a healthy and sustainable financial condition for the province with the lowest possible taxes for Albertans.

HIGHLIGHTS

The next step will be to pay off by 2025 the remaining accumulated debt of $12.5 billion as of March 31, 2000, as required by the Fiscal Responsibility Act.

- For the sixth consecutive year, the province's budget was balanced and a substantial payment was made to reduce the province's debt. As a result, the province's net debt was eliminated in June 1999 and the province ended the year with $2.7 billion in net assets (excluding pension obligations).
- Alberta's tax plan, announced in *Budget '99*, was accelerated in 1999-2000. The 8% surtax was eliminated on January 1, 2000. The tax plan will be fully implemented a year ahead of schedule, when, on January 1, 2001, the 0.5% flat tax will be eliminated and we will move to a single tax rate of 10.5%, based on taxable income rather than the basic federal tax. Basic personal, spousal and equivalent-to-spousal exemptions will increase substantially, to $12,900. Bracket creep will also be eliminated. In total, the tax plan will result in annual tax savings of $1.3 billion for Albertans, with an additional 190,000 low income Albertans being removed from the tax rolls.
- Revenues for the Ministry of Treasury were $9.6 billion in 1999-2000, up $0.7 billion from 1998-99. Expenses were $1.5 billion, down $0.6 billion. As a result, the Ministry had an operating surplus of $8.1 billion, which was $1.3 billion more than budgeted.
- Treasury continued to report, on a timely and user-friendly basis, to Albertans regarding the province's finances and the government's progress in achieving its performance targets.
- Alberta's credit rating continues to be the highest among provinces. As a result, Alberta borrows at the lowest average interest rate of any Canadian province.
- The Alberta Heritage Savings Trust Fund had a net income of $1.2 billion in 1999-2000, up from $0.9 billion the previous year. The Fund's net assets increase to $12.3 billion, as $230 million of the Fund's net income was retained in the Fund.
- Alberta Treasury Branches earned a net profit of $228 million, more than double its 1998-99 results.

TREASURY'S OPERATIONAL STRUCTURE

OFFICE OF BUDGET AND MANAGEMENT

The Office of Budget and Management (OBM) manages the provincial budget and business plan review and approval process, prepares economic and fiscal forecasts, and provides research, analysis and recommendations on the province's fiscal, economic and taxation policies. OBM is responsible for intergovernmental fiscal relations and for providing statistical information about the province. It also proposes accounting and financial control policies, and prepares budget documents, quarterly forecasts, quarterly and annual financial statements, and performance measurement reports.

TAX AND REVENUE ADMINISTRATION

Tax and Revenue Administration (TRA) is responsible for revenue collection and administration and risk management services for the government. TRA works closely with the Tax Policy group of the Office of Budget and Management on matters of tax policy and legislation. Together, the two areas work towards providing a fair, competitive, simple and efficient provincial tax revenue system.

INVESTMENT MANAGEMENT DIVISION

Investment Management is responsible for maximizing investment returns for the province within an acceptable degree of risk. It manages the investments of a wide range of provincial government entities including the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund and the Alberta Heritage Foundation for Medical Research Endowment Fund. It also manages public sector pension funds and other funds on behalf of provincial entities.

LIABILITY MANAGEMENT DIVISION

Liability Management works to achieve the lowest debt servicing costs on debt within an acceptable degree of variability. Alberta meets its borrowing requirements through a number of borrowing programs that allow the province to lower debt costs and diversify its investor base. Various financial products and instruments are employed to meet debt portfolio management objectives.

TREASURY OPERATIONS

Treasury Operations is responsible for back office support for investment and liability management, monitoring and managing loans and guarantees, public pension policy and regulation of the financial industry and private pensions in Alberta.

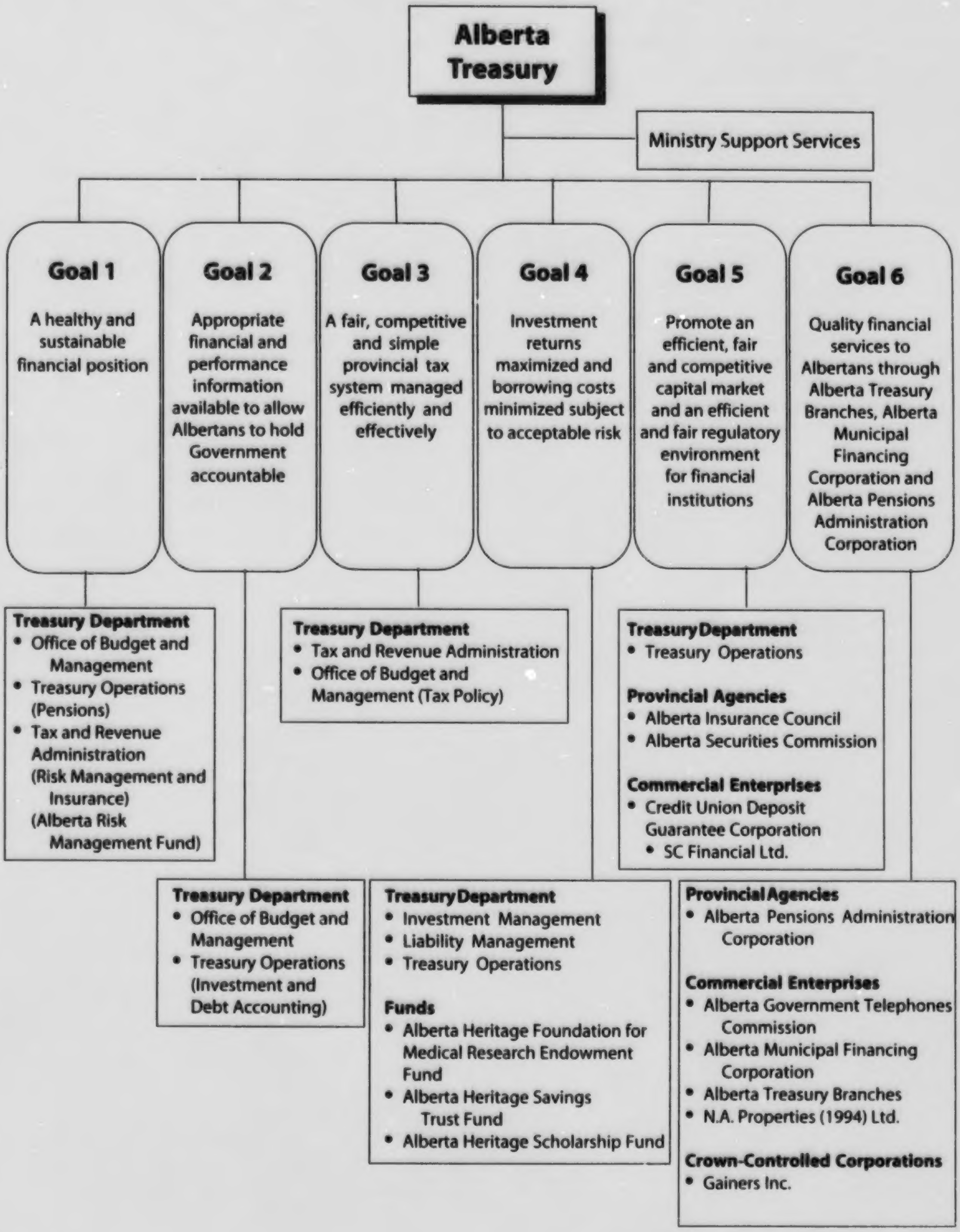
REGULATORY AGENCIES

Annual reports detailing the operations and results of the Alberta Securities Commission, the Credit Union Deposit Guarantee Corporation, the Alberta Insurance Council and the Alberta Automobile Insurance Board are available from the respective regulatory agency.

FINANCIAL SERVICES

Treasury provides financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation and the Alberta Pensions Administration Corporation. Annual reports detailing their operations and results are available from the respective corporation.

RELATIONSHIP OF TREASURY REPORTING ENTITIES TO GOALS



Alberta Treasury

Ministry Support Services

Goal 1
A healthy and sustainable financial position

Treasury Department
- Office of Budget and Management
- Treasury Operations (Pensions)
- Tax and Revenue Administration (Risk Management and Insurance) (Alberta Risk Management Fund)

Goal 2
Appropriate financial and performance information available to allow Albertans to hold Government accountable

Treasury Department
- Office of Budget and Management
- Treasury Operations (Investment and Debt Accounting)

Goal 3
A fair, competitive and simple provincial tax system managed efficiently and effectively

Treasury Department
- Tax and Revenue Administration
- Office of Budget and Management (Tax Policy)

Goal 4
Investment returns maximized and borrowing costs minimized subject to acceptable risk

Treasury Department
- Investment Management
- Liability Management
- Treasury Operations

Funds
- Alberta Heritage Foundation for Medical Research Endowment Fund
- Alberta Heritage Savings Trust Fund
- Alberta Heritage Scholarship Fund

Goal 5
Promote an efficient, fair and competitive capital market and an efficient and fair regulatory environment for financial institutions

Treasury Department
- Treasury Operations

Provincial Agencies
- Alberta Insurance Council
- Alberta Securities Commission

Commercial Enterprises
- Credit Union Deposit Guarantee Corporation
  - SC Financial Ltd.

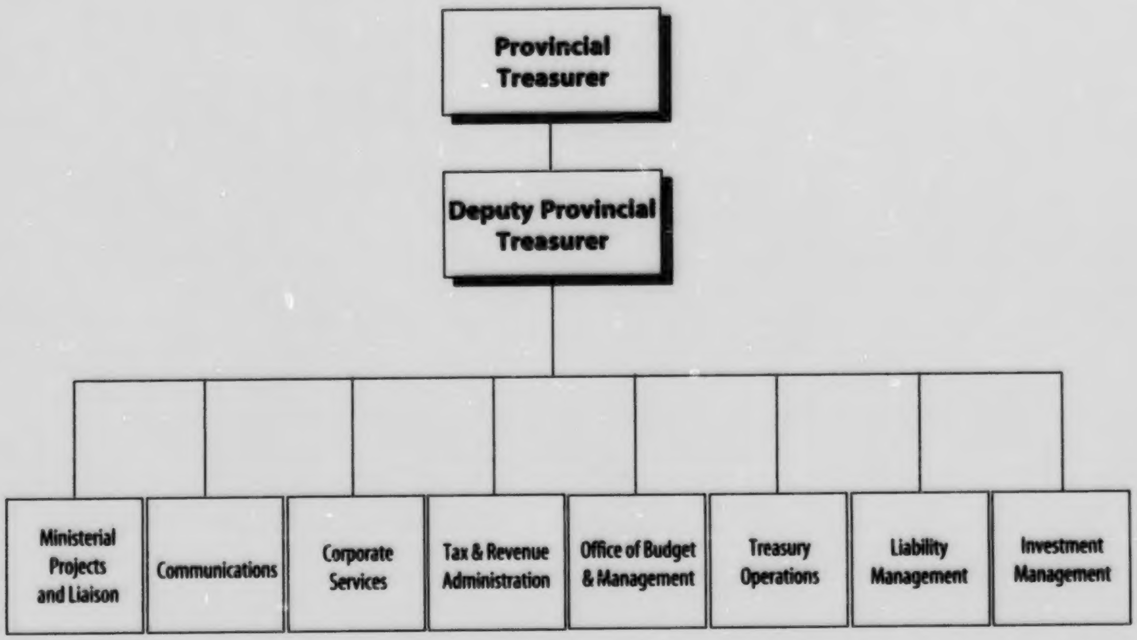
Goal 6
Quality financial services to Albertans through Alberta Treasury Branches, Alberta Municipal Financing Corporation and Alberta Pensions Administration Corporation

Provincial Agencies
- Alberta Pensions Administration Corporation

Commercial Enterprises
- Alberta Government Telephones Commission
- Alberta Municipal Financing Corporation
- Alberta Treasury Branches
- N.A. Properties (1994) Ltd.

Crown-Controlled Corporations
- Gainers Inc.

DEPARTMENT ORGANIZATION


Provincial Treasurer
Deputy Provincial Treasurer
Ministerial Projects and Liaison
Communications
Corporate Services
Tax & Revenue Administration
Office of Budget & Management
Treasury Operations
Liability Management
Investment Management

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2000

Entity	Executive	Board, Council or Commission Members
Alberta Treasury	Peter Kruselnicki, *Deputy Provincial Treasurer* Jim Peters, *Controller* Robert Bhatia, *Assistant Deputy Provincial Treasurer - Revenue* Dave Smith, *Assistant Deputy Provincial Treasurer - Treasury Operations* Paul Pugh, *Chief Investment Officer* Rod Matheson, *Director - Liability Management* Bonnie Lovelace, *Corporate Secretary* Herb Martin, *Director - Human Resource Services* Alex Fowlie, *Ministerial Projects and Liaison* Shannon Larkins, *Director - Communications*	
Credit Union Deposit Guarantee Corporation	Jim Laitner, *Chief Executive Officer*	Bob Splane, *Chair* Mary Arnold, *Vice-Chair* Rick Bell Ron Gilmore John Henry Peter Kruselnicki Rod McDermand
Alberta Municipal Financing Corporation	Allister McPherson, *President*	Allister McPherson, *Chair* Dan Bader Jim Drinkwater Del Dyck Rob Feddema Peter Kruselnicki Don Lussier Garth Sherwin Bob Splane

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2000

Entity	Executive	Board, Council or Commission Members
Alberta Pensions Administration Corporation	George Buse, *Chief Operating Officer*	Jack McMahon, *Chair* Allan Habstritt Rick Milner Peter Kruselnicki Len Pederson Bill Purdy Vacant (1)
Alberta Securities Commission		Glenda Campbell, *Acting Chair* Eric Spink James Allard Jerry Bennis Wendy Best John Cranston Ian McConnan Walter O'Donoghue Thomas Pinder Thomas Shields
Alberta Treasury Branches	Paul Haggis, *President and Chief Executive Officer*	Marshall Williams, *Chair* Robert Brawn Gary Campbell Paul Haggis Jack Halpin Brian Heidecker Brian Hesje David Hughes Ian Macdonald Garnett Millard Raymond Nelson Al O'Brien Ralph Scurfield Gail Surkan Ron Triffo

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2000

Entity	Executive	Board, Council or Commission Members
Alberta Insurance Council	Joanne Abram, *General Manager*	Neil Miller, *Chair* Valerie Chatten Jack Laverick Duncan McLachlan Peter Portlock
Alberta Automobile Insurance Board		John Tweddle, *Chair* Paul Galway W. Harry Gough Patricia Hryniw
General Insurance Council		Randy McDonald, *Chair* Bob Anderson Guy Bourgeois Jeff Cuell Rod Garraway Marce Hall Neil Miller Mel Niebrugge
Insurance Adjusters Council		Jack Laverick, *Chair* Elia Bendera Mike Hirst Gavin Lane
Life Insurance Council		Norman Chandler, *Chair* Dennis Anderson Ted Hanna David Hicks Duncan McLachlan Ray Wold

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2000

The Provincial Treasurer is the trustee of pension plan funds and is responsible for appointing pension plan governing boards which have been established as follows:

Entity	Executive	Board, Council or Commission Members
Local Authorities Pension Plan		William Purdy, *Chair*
		Kenneth Balkwill
		Rick Blakeley
		Ben Boettcher
		Terry Cavanagh
		Margaret Johnson
		Tony Krivoblocki
		Richard Martin
		Elaine Noel-Bentley
		Grant Robertson
		Carl Soderstrom
		Sandra Weidner
		Richard West
		Leslie Young
Management Employees Pension Board		Dianne Keefe, *Chair*
		Fred Barth
		Shirley Howe
		Bill Lenius
		Tony Morehen
		Theresa Ostrum
		Vacant (1)
Public Service Pension Plan Board		Tim Wiles, *Chair*
		Jim Campbell
		Tom Fuller
		Len Pederson
		Ian Tarr
		Vacant (1)

TREASURY EXECUTIVE OR CHIEF OPERATING OFFICERS AND MEMBERS OF BOARDS, COUNCILS AND COMMISSIONS

as at March 31, 2000

Entity	Executive	Board, Council or Commission Members
Special Forces Pension Plan Board		Ulysses Currie, *Chair*
		David Carpenter
		Colin Catonio
		Harvey Cenaiko
		Randell Garvey
		Allan Habstritt
		Janina Vanderpost
Universities Academic Pension Plan Board		Ronald David Bercov, *Chair*
		Auke Elzinga
		Daniel Furgason
		Mary Hamilton
		Glenn Harris
		Ted Horbulyk
		Allan Pedden
		Keith Winter
		Vacant (1)

ACTS ADMINISTERED BY TREASURY
as at March 31, 2000

Alberta Corporate Tax Act
Alberta Heritage Savings Trust Fund Act
Alberta Income Tax Act
Alberta Municipal Financing Corporation Act
Alberta Securities Commission Reorganization Act
Alberta Taxpayers Protection Act
Alberta Treasury Branches Act
Appropriation Acts
Balanced Budget and Debt Retirement Act
Civil Service Garnishee Act
Credit Union Act
Employment Pension Plans Act
Farm Credit Stability Act
Financial Administration Act
Financial Consumers Act
Fiscal Responsibility Act
Fuel Tax Act
Government Accountability Act
Government Fees and Charges Review Act
Hotel Room Tax Act
Insurance Act
Loan & Trust Corporations Act
Lottery Fund Transfer Act
Members of the Legislative Assembly Pension Plan Act
Municipal Debentures Act
Pension Fund Act
Public Sector Pension Plans Act
Reinvestment Act
Securities Act
Small Business Term Assistance Act
Statistics Bureau Act
Telecommunications Act (Part I)
Tobacco Tax Act

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO KEY PERFORMANCE MEASURES

TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY:

I have performed the following procedures in connection with the Ministry of Treasury's key measures included in the *Treasury Annual Report for the fiscal year ended March 31, 2000* presented on pages 23, 32, 39 and 43.

1. Information obtained from an independent source was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.

2. The calculations which converted source information into reported measures were tested.

3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit and therefore I express no opinion on the key measures included in the *Treasury Annual Report for the fiscal year ended March 31, 2000.*

Peter Valentine
FCA
Auditor General

Edmonton, Alberta

July 31, 2000

RESULTS ANALYSIS

The Department of Treasury achieved many successes over the 1999-2000 year. Good progress was made to meet or exceed the performance targets identified in its business plan published in *Budget '99*. The details of Treasury's accomplishments appear below.

REVENUE HIGHLIGHTS

- Personal income tax revenue increased by $499 million in 1999-2000 as a result of a 2.9% increase in employment and a 2.8% increase in average wages.
- Corporate income taxes declined by $404 million. This can be attributed to low oil prices in 1998, which remained weak into early 1999, before rebounding strongly in the second half of the year. Corporate income tax revenue declined sharply in 1999-2000 as companies applied losses incurred in 1998 and early 1999 and claimed refunds for overpayments associated with prior years in the 1999-2000 fiscal year.
- Investment income increased by $284 million because of strong equity markets and associated capital gains.

EXPENSE HIGHLIGHTS

- In fiscal year 1999-2000, general government debt servicing costs were reduced by $411 million. The reduction was largely attributed to lower provincial debt, lower exchange rate losses and lower short-term interest rates.
- In addition to the reduction in debt servicing costs for general government purposes, debt servicing costs for municipalities, schools and hospitals were reduced by $52 million.
- Corporate income tax refunds and interest were reduced by $82 million, as 1998-99 refunds and interest contained substantial non-recurring refunds related to a single large firm.

FINANCIAL RESULTS

Revenues for the Ministry in 1999-2000 were $9,614 million. This was up $735 million from 1998-99 or 8.3%. Expenses in 1999-2000 were $1,490 million, down $592 million from 1998-99. The net result was that revenues exceeded expenses by $8,124 million. This was $1,326 million more than in 1998-99 and was $1,307 million more than budgeted.

GOAL 1

A HEALTHY AND SUSTAINABLE FINANCIAL POSITION

"Albertans deserve the kind of fiscal strength and stability that comes from sound budgeting. We've provided that foundation and now the people of the province are reaping the rewards."

STOCKWELL DAY
PROVINCIAL TREASURER
FEBRUARY 22, 1999

BALANCED BUDGET AND DEBT RETIREMENT

The Alberta government balanced its budget for the sixth consecutive year in 1999-2000. Forward looking business planning, responsible economic and fiscal policies and prudent forecasting helped ensure that revenues exceeded expenditures by $2.7 billion dollars for the year ended March 31, 2000.

The province eliminated its net debt in June 1999 and is now focusing on paying off the remaining accumulated debt. The Fiscal Responsibility Act requires the orderly pay down of accumulated debt over the next 25 years. The Act requires that three-quarters of the legislated economic cushion of 3.5% of budgeted revenue and of any revenue increases during the year must be applied to pay down the debt.

NET RESULTS OF OPERATIONS
ALBERTA'S CONSOLIDATED SURPLUS (EXCLUDING PENSION PROVISIONS)
Surplus (Deficit) in millions of dollars

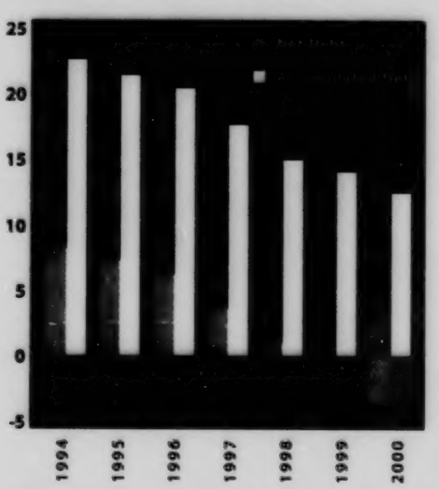
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Budget	(1,550)	(506)	23	154	165	617
Actual	958	1,132	2,527	2,639	1,026	2,717

Revenues exceeded expenses by $2,717 million in 1999-2000, excluding pension provisions. This exceeded the budgeted target of $617 million by $2,100 million. Actual revenue of $20,168 million exceeded budgeted revenue by $3,331 million primarily due to higher-than-budgeted non-renewable resource revenues, income tax revenue, and investment income. Higher revenue provided the flexibility to increase the budgeted debt payment, increase funding for health, education and infrastructure, accelerate the planned personal income tax reforms and increase the financial assets of the Alberta Heritage Savings Trust Fund. Actual expenses exceeded budgeted expenses by $1,113 million.

Key Performance Measure

DEBT RETIREMENT WELL AHEAD OF TARGET

Net Debt versus Accumulated Debt at March 31



Net Debt as subject to the Balanced Budget and Debt Retirement Act and the Fiscal Responsibility Act. Excludes pension obligations.

Alberta has moved from a net debt position of $8.3 billion at March 31, 1994 to net assets of $2.7 billion at March 31, 2000, excluding pension obligations. Alberta is the only province that owns more than it owes. The net debt was eliminated in June 1999, ten years ahead of schedule.

Alberta continues to have the highest credit rating of any Canadian province, which ensures that Alberta will continue to have the lowest borrowing costs of any Canadian province. Standard & Poor's and Moody's Investors Services have maintained their respective AA+ and Aa1 domestic debt credit ratings in anticipation of continued debt reduction and strong budget performance.

CREDIT RATING

	Alberta	British Columbia	Ontario
March 31, 2000:			
Standard & Poor's	AA+	AA	AA-
Moody's	Aa1*	Aa2	Aa3

*at March 31, 2000 Moody's foreign currency debt rating for Alberta was Aa2. In June 2000, Moody's upgraded Alberta's foreign debt rating to Aa1.

BUSINESS PLANNING, ECONOMIC AND FISCAL POLICIES AND FORECASTING

Treasury provides advice and support to the Provincial Treasurer and Treasury Board and co-ordinates the government's overall budget and business planning process through:

- developing common economic and financial assumptions for business planning across government,
- developing, with each ministry, program spending options and identifying reallocation opportunities to help ensure that fiscal targets are met,
- reviewing ministries' annual business plan submissions and annual reports,
- developing key government-wide performance measures,
- assisting ministries to improve their business plan performance measurement systems,
- providing accounting advice and co-ordinating the development of accounting and financial policies for use across government,
- developing standards for ministry annual reports, and
- co-ordinating the development of standards for ministry and departmental financial statements, and assisting ministries in preparing their financial statements.

During 1999-2000, Treasury implemented the *Fiscal Responsibility Act*, which was amended to allow $600 million to be allocated to the Premier's Infrastructure Initiative. Treasury also worked with Executive Council to revise the government business plan process and coordinated the development of the 2000-2003 Government Business Plan. Treasury develops common economic and financial assumptions for business planning across government. The Ministry monitors achievement of business plan goals and recommends standards and policies for overall government.

Treasury is always looking for ways to refine the business planning process including streamlining administration by eliminating unnecessary regulation and duplication.

The annual survey of ministries revealed an overall result of 94% satisfied or very satisfied with the advice, support and recommendations provided by Treasury. A similar survey of Treasury Board members produced an overall result of 85% satisfied or very satisfied.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

Treasury strives to ensure that Albertans are treated equitably by the Federal government. The department develops and presents Alberta's position on federal-provincial fiscal arrangements to the federal government, including working with other provinces.

In 1999, Premiers called upon the federal government to restore the Canada Health and Social Transfer (CHST) to its 1994-95 level. Provincial Finance Ministers, including Alberta's, reiterated this call in their fall meeting with federal Finance Minister, Paul Martin. In its February 2000 budget, the federal government announced a $1 billion increase in the CHST in 2000-01 and $500 million extra in each of the next three years.

In addition, the Provincial Treasurer, along with other provincial Finance Ministers, called for reductions in Employment Insurance (EI) premiums. The federal government responded to these calls.
In December 1999, EI premiums were reduced from $2.55 to $2.40. EI premiums are expected to continue to decline by 10 cents per year until premiums match program costs.

PENSION POLICY

The management of the government's pension obligations has had a direct impact on Alberta achieving the best credit rating of all provinces in Canada. Employers, employees and the Crown share in paying off the pre-1992 unfunded liability. Legislation was passed indicating that effective July 15, 1999, when a pre-1992 unfunded liability of a plan has been eliminated, the government has no further liability.

As of December 31, 1999, the Management Employees Pension Plan became the third public pension plan to be fully funded, after the Local Authorities and Public Service Pension Plans.

In December 1999, at a federal-provincial Finance Ministers' meeting, the Provincial Treasurer tabled three papers on reforming the Canada Pension Plan for review by his colleagues. The papers recommended a new governance framework for the Canada Pension Plan, relaxing the limit on foreign investments and better reporting to Canadians.

Treasury worked with the Local Authorities Pension Board on new governance arrangements aimed at making the LAPP self-governing. Outside pension governance experts were retained by Treasury to provide benchmarks for sound pension governance. A draft governance framework was developed. In December 1999, the Local Authorities Pension Plan Board agreed that the proposed structure is consistent with the benchmarks of good governance. In January and February 2000, meetings were held with major stakeholders.

RISK MANAGEMENT SERVICES

Through the Risk Management Fund, Treasury helps ministries protect public assets from the risk of accidental loss, reduces the cost of administering risk management services, and ensures accountability of ministries and agencies. In 1999-2000, a survey of senior financial officers indicated that 84% of ministries were satisfied or very satisfied with the risk management and insurance services provided by Treasury.

GOAL 2

APPROPRIATE FINANCIAL AND PERFORMANCE INFORMATION AVAILABLE TO ALLOW ALBERTANS TO HOLD GOVERNMENT ACCOUNTABLE

Alberta continues to be the leader among Canadian governments in government financial reporting. Treasury provides Albertans with regular reports on goals, performance measures and financial results.

The Government Accountability Act requires the government to publish, in the annual budget, three-year budget and business plans that identify goals, objectives and financial plans of the government and individual ministries. The Act also requires that the government provide quarterly financial updates and an annual report on both financial and performance results. Treasury co-ordinates the preparation of these publications.

Other laws require balanced budgets, elimination of Alberta's net debt, elimination of Alberta's accumulated debt, prudent economic cushions, controls on in-year spending increases, improved accountability for results, taxpayer protection and an end to special government loans and loan guarantees to business.

CONSOLIDATED BUDGETS AND BUSINESS PLANS

Alberta publishes consolidated budgets and business plans for all government entities. *Budget '99* included the 1999-2002 Fiscal Plan and Business Plan, an Economic Outlook, a description of the Alberta Advantage, a Plan For a Debt-Free Alberta and a New Tax Plan for Albertans. It established goals and measures for each of the government's core businesses: People, Prosperity and Preservation. A comprehensive set of strategies and actions to achieve these goals was outlined in the business plans of individual ministries.

As required by the Government Accountability Act, the 1999-2000 Annual Report of the Government of Alberta, *The Right Balance*, which was published June 2000, provided an accounting of government-wide financial results and performance measures in comparison to the plans set out in *Budget '99*. Ministry measures are provided in the annual report of each ministry, which also must include ministry consolidated financial statements and financial statements of each of the components of the ministry.

MEASURING AND REPORTING THE GOVERNMENT'S PERFORMANCE

The 1999-2000 Annual Report of the Alberta government also included *Measuring Up*, the sixth annual report on the performance of the Government of Alberta. The report provides the public with an accountability document that compares results achieved to targets set in the Government Business Plan. In addition, *Measuring Up* reported on the government's strategies to illustrate what is being done to achieve its goals.

Measuring Up contains core measures that are related to government goals. Measuring and tracking results make it possible for policy makers to improve the quality of programs and services for Albertans and to help make choices about whether to revise, retain, or abandon existing programs.

In 1999, OBM's Performance Measures group was the recipient of a Premier's Award of Excellence and an Institute of Public Administration award for their work in developing and implementing this outcome-based accountability framework.

TREASURY'S INTERACTION WITH MINISTRIES

Treasury provides leadership in accountability for financial management. Ministries have the responsibility for reporting financial results and business outcomes at the ministry level. Treasury's role is to monitor and advise, rather than maintain financial controls. Treasury also prepares the Province's consolidated financial statements based upon ministries financial statements.

Treasury has overall responsibility for setting government accounting policies, but works collaboratively with the ministries in the development of these policies and standards. Ministries are responsible for managing their financial affairs in accordance with these policies.

SATISFACTION WITH TREASURY'S PERFORMANCE

Treasury undertakes performance surveys annually. One survey measures the satisfaction of deputy ministers with the government's accountability system. 89% of the responding deputies were very satisfied or satisfied, below Treasury's target of 100% satisfied or very satisfied. 11% were somewhat satisfied with the government accountability system.

A survey of Albertans in December 1999 indicated that 70% of Albertans knew that the government was budgeting for a surplus in the current year. The target is for 80% of Albertans to be aware of the province's budget situation and financial performance.

AUDITOR GENERAL'S SATISFACTION WITH THE GOVERNMENT'S ACCOUNTABILITY SYSTEM

In his 1998-99 Annual Report, the Auditor General stated, "The government has done a commendable job in implementing the Government Accountability Act." He added "the Province is a leader among Canadian governments in the use of publicly reported business plans and annual reports. I believe Alberta continues to lead and I endorse the government's ongoing efforts to improve the quality of these documents, which are central to continuous improvement in government performance and accountability to Albertans." He also noted that the Alberta government's accountability framework received a silver medal for Innovative Management from the Institute of Public Administration of Canada. He stated that "this recognition is testament to the quality and importance of the change being implemented in the public service."

The Auditor General has recommended the following improvements to cross-government initiatives and business practices between all ministries and the Treasury Department:

- Ministries collaborate with Treasury to articulate best practices in business planning.
  - ✓ Accepted in principle. Treasury will continue to encourage ongoing refinements to the business planning process and provide assistance to ministries on request.

- Ministries work with Treasury to develop a strategy to improve the definitions of the components of business plans.
  - ✓ Accepted. A common set of business plan components has already been established and communicated to ministries. Treasury will continue to work on clarifying definitions with ministries.

- Ministries, together with Treasury, develop a strategy to combine ministry core businesses and programs so that ministry income statements clearly present the cost of implementing core businesses.
  - ✓ Under review. Accountability is enhanced if plans, results and financial information are linked in a meaningful manner. Whether a ministry uses core businesses and programs or some other presentation needs further consideration.

- Ministries, in conjunction with Treasury, develop a strategy to improve the quality of performance measures in business plans.
  - ✓ Accepted in principle. Each ministry has ongoing responsibility to improve the quality of their performance measures. Treasury will continue to provide leadership in this regard.

- Ministries, supported by the Treasury Department, provide guidance to accountable organizations on best practices for annual report presentation.
  - ✓ Accepted. Upon request, Treasury will provide advice to a ministry on developing guidelines that could be provided to its accountable organizations.

- The Treasury Department develop guidelines for ministries and accountable organizations regarding the use and content of summary financial information.
  - ✓ Under review. Since summary financial information is currently provided in several different forms for different purposes, whether there would be value added by developing guidelines needs to be considered further.

The Auditor General has recommended the Ministry of Treasury make the following changes relating to its business practices:

- Initiate changes to the corporate government accounting policies in order to improve accountability.
  - ✓ Accepted in principle. Government corporate accounting policies will continue to be reviewed and refined where Treasury Board considers accountability can be improved further.

- Develop a methodology to allocate all significant costs to the entities responsible for delivering outputs.
  - ✓ Under review. The business case, value added, and practicality of implementation of cost allocation to the extent suggested by the Auditor General needs to be reviewed. In the interim, the government continues to provide note disclosure on services provided by one ministry to another, which it believes to be in accordance with generally accepted accounting principles.

- Facilitate obtaining the legislative amendments required to formalize an arm's length relationship between the Departments of Community Development and Health for seniors' health benefits.
  - ✓ Accepted.

- Reconcile the Province's bank accounts promptly.
  - ✓ Accepted.

GOAL 3

A FAIR, COMPETITIVE AND SIMPLE PROVINCIAL TAX SYSTEM MANAGED EFFICIENTLY AND EFFECTIVELY

In 1999, Alberta announced a bold new tax plan that will substantially reduce the personal income taxes paid by Albertans and make the tax system simpler and fairer. According to *Budget'99*, the plan would be implemented only if it was affordable and that the plan would be moved forward if revenues were much greater than expected. Revenues have been greater than expected, so *Budget 2000* announced:

- *The elimination of the 8% surtax on January 1,2000. This is the first step on the way to implementing the new personal income tax system in 2001, one year ahead of schedule.*
- *On January 1, 2001, the 0.5% flat tax will be abolished and the province will move to a single rate of 10.5%. The personal, spousal and equivalent to spousal exemptions will be increased to $12,900. Albertans will continue to file only one tax return.*
- *The new tax plan will result in tax savings of $1.3 billion per year by Albertans, with an additional 190,000 low income Albertans being removed from the tax rolls.*

Low taxes encourage people to work, save and invest, and stimulate employment as new businesses are created and existing business expand. Five full years after implementation of the tax plan, Alberta's real GDP is expected to be 1.5% ($2 billion), larger than it would have been without the tax changes and employment 30,000 higher. At over 72%, Alberta already has the highest employment participation rate in Canada. The tax plan can only increase our advantage.

One of Treasury's key performance measures is to compare the total tax load of Albertans to that of people living in other provinces. In 1999-2000, Albertans paid the lowest total taxes, meeting one of Treasury's key performance targets.

Alberta's low taxes and resulting strong economic performance create well-paying jobs for Albertans. Between December 1996 and June 2000, the Alberta economy created 206,000 jobs, exceeding Treasury's four-year job creation target of 155,000 jobs with six months to spare.

Key Performance Measure
LOWEST TAX LOAD IN CANADA: PROVINCIAL TAXES PAYABLE* BY A FAMILY OF FOUR 2000

	One-income Family earning $30,000	Two-income Family earning $55,000	Two-income Family $100,000
Alberta	$1,589	$3,788	$8,077
Ontario	$2,147	$4,540	$9,823
British Columbia	$2,567	$5,126	$10,197
Nova Scotia	$2,756	$5,203	$11,294
New Brunswick	$2,944	$5,274	$11,649
Saskatchewan	$3,062	$5,304	$11,618
Prince Edward Island	$3,319	$5,672	$12,097
Manitoba	$2,725	$5,660	$12,840
Newfoundland	$4,050	$6,866	$14,304
Quebec	$2,063	$7,889	$18,424

* Includes provincial income, sales, payroll, provincial tobacco and fuel taxes and health care premiums

Source: Alberta Treasury

Note: Assumptions for calculations can be found in *Budget* 2000, page 18

SECOND LOWEST BASIC PERSONAL TAX RATE IN CANADA - 2000

Province	% of Basic Federal Tax	Province	% of Basic Federal Tax
Ontario	38.5%	Nova Scotia	57.5%
Alberta	44.0%	Prince Edward Island	58.5%
Saskatchewan	47.0%	New Brunswick	60.0%
British Columbia	48.0%	Newfoundland	62.0%
Manitoba	49.5%	Quebec	Not comparable

Source: Alberta Treasury

THIRD LOWEST TAXES ON BUSINESS

Although our target is to have the lowest overall business taxes in Canada, Alberta had the third lowest tax load on businesses among provinces, behind Nova Scotia and Prince Edward Island. Even so, our low business taxes are encouraging new business start-ups and other businesses to move to our province. In 1999, 24,528 new businesses were registered in Alberta, an increase of 5.1%. This nearly doubled Treasury's target of a 3% growth in business registrations.

Key Performance Measure
PROVINCIAL TAX LOAD ON BUSINESS - 1999-2000

Prince Edward Island	72.0	Ontario	101.2
Nova Scotia	75.3	Manitoba	112.9
Alberta	77.0	British Columbia	125.0
Quebec	91.2	Newfoundland	173.0
New Brunswick	92.9	Saskatchewan	178.7

Tax Load relative to provincial average = 100.0
Source: Department of Finance Canada

BUSINESS TAX REVIEW

Alberta is committed to a fair and competitive business tax regime. The government has appointed a committee to review the competitiveness of Alberta's business taxes and to make recommendations for improving our current business tax environment. The Alberta Business Tax Review Committee will submit its report in September 2000.

INTERNATIONAL FUEL TAX PROGRAM

Alberta Treasury Tax and Revenue Administration (TRA) was the recipient of a 1999 Premier's Award of Excellence for implementing the International Fuel Tax Agreement in Alberta. This initiative simplifies fuel tax reporting for Alberta truckers traveling between jurisdictions. An Alberta-based trucker files only one return to Alberta and we settle up the fuel taxes with all other provinces and US states.

PROPANE TAX SIMPLIFICATION

TRA was also a recipient of a 2000 Premier's Award of Excellence for their Propane Tax Simplification project. Through collaboration with the province's propane industry, TRA implemented a simplified tax collection process that slashed administration costs for both industry and government and eliminated revenue loss.

ADVANCES IN THE USE OF TECHNOLOGY

Our goal is to improve the overall effectiveness and efficiency of our tax administration. TRA is constantly working on technological advances to help achieve this goal. The cost for TRA to process a return or claim increased from $76 in 1998-99 to $89 in 1999-2000. The implementation of a new computer system reduced the number of returns processed in 1999-2000 and so caused a temporary increase in processing costs per return. Initiatives currently in place to improve efficiency include:

- using Interactive Voice Response for filing hotel room tax returns and liquid propane gas tax refunds,

- maximizing the use of imaging technology to simplify records management and providing for easier and faster retrieval of documents,

- changes to our remittance forms to comply with the Canadian Payments Association to allow tax and instalment payments to be made at all chartered banks and most major financial institutions in Canada,

- expanded use of the Treasury Internet site to include all forms and publications,
- piloting, in conjunction with Treaty Seven First Nations and the federal government, a "smart" card that includes federal treaty status information identifying the cardholder as being eligible for the Alberta Indian Tax Exemption and federal programs. The single card approach is being considered for implementation.
- using Point Of Sale technology for filing of Alberta Indian Tax Exemption retailer claims. The system also provides nightly updates to retail operators of changes to current eligible cardholders authorized to purchase exempt fuel, tobacco and propane.

Planned initiatives include:

- allowing pre-authorized debits for payment of taxes and instalments,
- e-filing of corporate income tax returns, a joint project with Revenue Canada and the Ontario Ministry of Finance is now scheduled to be implemented in the fall of 2000,
- capturing Corporate Income Tax return information through the use of optical character reading technology thus minimizing or, in many cases, eliminating key punching effort.

FUEL TAX UNIFORMITY

Alberta continues to work closely with industry, Canada Customs and Revenue Agency (CCRA) and the other provinces on the Fuel Tax Uniformity Project, which sets standards such as the colour of the dye used in tax exempt fuels.

CALGARY OFFICE

TRA has recruited to a number of new positions in the Calgary Office in an effort to improve service to taxpayers of southern Alberta. This will enable taxpayers residing there to have face-to-face accessibility.

COMPUTER SYSTEM UPGRADE

TRA continues to upgrade from mainframe to client server technology. This provides for e-filing of corporate returns, improves TRA's assessment processing efficiency and establishes the platform for future data interchange and electronic commerce.

FEDERAL SET-OFF PROGRAM

Alberta Treasury, in partnership with CCRA, implemented the federal setoff program for uncollected student loans. Before CCRA provides a personal tax refund, they subtract any overdue Alberta student loan balance. Over one million dollars in unpaid student loans has been recovered since the implementation of the program.

CLIENT SURVEY AND PERFORMANCE MEASUREMENT

The annual client survey conducted by TRA showed that, in 1999, overall satisfaction with the administration of Alberta's tax programs was 77.8 % as compared to 80.1% in 1998. With respect to compliance costs, the satisfaction index rose from 74.0% to 75.3%. The targets remain at 85% for satisfaction with tax administration, and 80% for satisfaction with compliance costs. Work is underway to raise the satisfaction level on both targets in the medium term.

In 1999-2000, 95% of tax payers voluntarily complied with Alberta's tax programs. This was just below Treasury's target of a 97% voluntary compliance rate.

GOAL 4

INVESTMENT RETURNS MAXIMIZED AND BORROWING COSTS MINIMIZED SUBJECT TO ACCEPTABLE RISK

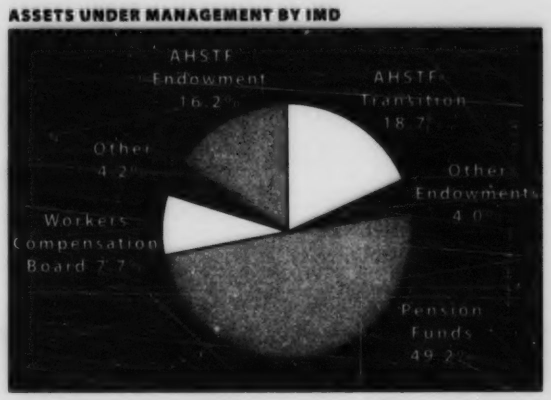
The Alberta Heritage Savings Trust Fund earned $1.2 billion in 1999-2000. The Fund's 9% rate of return, on a market value basis, significantly exceeded the 6.9% cost of the provincial debt.

INVESTMENT MANAGEMENT DIVISION

The Investment Management Division (IMD) was established to act as the investment manager for pools of capital assigned by statute to the Provincial Treasurer and where specific agreements have been made with provincial public sector bodies to act as an investment manager. With $37 billion under management, IMD is one of the largest fund managers in the country. IMD manages investments on behalf of:

- Endowment funds including the Alberta Heritage Savings Trust Fund ($12.3 billion), the Alberta Heritage Foundation for Medical Research Endowment Fund, and the Alberta Heritage Scholarship Fund.
- Government-sponsored public sector pension plans ($18 billion in total).
- Specialty funds including the Consolidated Cash Investment Trust Fund, the government's long-term disability plans and funds managed on behalf of the Workers' Compensation Board.

ASSETS UNDER MANAGEMENT BY IMD



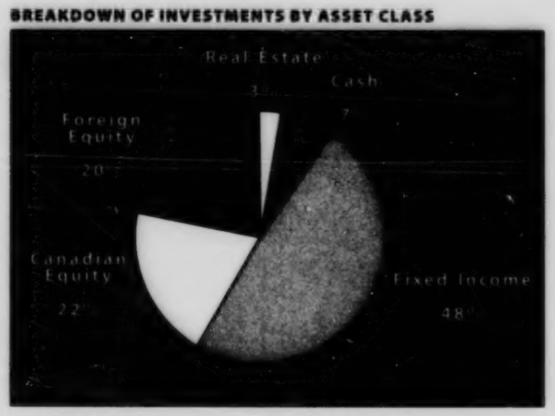
IMD's objective is to create portfolios of assets that match established risk profiles and financial goals of the funds under management. In addition, IMD provides market information to the Provincial Treasurer as required.

The Investment Operations Committee adds financial and business oversight to IMD's investment operations and results. The Investment Operations Committee is chaired by the Deputy Provincial Treasurer and consists primarily of private sector members. The Committee also reviews and make recommendations with respect to the Alberta Heritage Savings Trust Fund.

With the large pool of capital managed by IMD, investment management services can be provided on an efficient and cost effective basis. The average cost charged to pensions funds is about 10 basis points, well below the average of 34 basis points pension funds pay in Canada (source: Cost Effectiveness Measurement Inc.'s survey of US and Canadian investment funds).

The investment objectives vary for the funds under management reflecting different financial requirements and risk tolerances for each fund as established by the fund stakeholders. To meet the investment policies and achieve the goals of each fund, IMD has developed a wide range of investment products, which can be put together to meet each fund's specific risk profile. This multi-product approach is implemented on a pooled basis. Each product is defined in terms of its policies and procedures. Clients buy into the pools by purchasing units based on the market value of the pool's investments. This pooled approach is important to manage the funds on an efficient basis and to ensure that each client is treated equally. To manage the pools, both IMD and third party external manager expertise are used. This ensures the necessary specialized investment knowledge and skills are available. External managers are used primarily when investing in foreign equities and in specialized domestic areas.

BREAKDOWN OF INVESTMENTS BY ASSET CLASS



A critical component of the IMD business plan is client services. On a annual basis, clients are surveyed to determine the over-all level of satisfaction and to identify areas of strength and weakness. The results of this year's survey indicated that 89.3% of respondents were at least somewhat satisfied with IMD's service. An area of strength was understanding the clients' investment objectives and needs. Clients indicated that they wanted IMD to become more proactive. Several initiatives have been undertaken to improve the over-all level of servicing through the introduction of a "flash" monthly performance report and increasing the frequency of investment seminars to twice a year.

During the year, a number of changes were introduced. One of the more significant was the streamlining of the investment decision making process. Several committees were rationalized into a single Approval Committee. This committee meets at least weekly and is composed of the senior staff of the division. The committee reviews and discusses market conditions, approves the purchases and sales from the pools, and reviews product and fund performance.

Several products were re-structured during the year. The Domestic Structured Equity Pool was rationalized into the Domestic Passive Equity Pool. The Global Structured Equity Pool was split into its US and Europe, Australia and Far East (EAFE) components. The US component was rationalized into the existing US Passive Structured Product. Replication index products were also introduced for both the US and EAFE components for liquidity and risk control. Non-Canadian equities are now organized into US and International product groups with each group including a passive/index component and an active component managed by external advisors. In addition, a new product based on a diversified manager structure was introduced for Canada with a mandate to invest in large companies relative to the TSE 300 index.

The overall performance of the major investment products by asset class managed by IMD is shown in the following table.

Key Performance Measure

INVESTMENT PERFORMANCE OF MARKETABLE POOLS

For the Year Ended March 31, 2000

Pool Name (Size)	Description of Pool	Annual Return (%)	Benchmark Return* (%)	Benchmark Index (Total Return)
Consolidated Cash Investment Trust Fund ($2.1 billion)	Money Market	5.0%	4.7%	ScotiaCapital Markets 91-Day Treasury Bill Index
Canadian Public Debt Pool ($9.1 billion)	Canadian Debt Securities	1.4%	1.3%	ScotiaCapital Bond Universe Index
Domestic Passive Equity Pool ($2.4billion)	Canadian Equity Index Fund based on the TSE 300	46.3%	45.5%	Toronto Stock Exchange 300 Index
Canadian Pooled Equity ($2.5 billion)	Actively Managed Canadian Equity Fund	44.9%	45.5%	Toronto Stock Exchange 300 Index
Canadian Large Cap Pool ($11.2 billion)	Actively Managed Canadian Equity Fund using a multi-manager structure	29.3%	45.5%	Toronto Stock Exchange 300 Index
Canadian Small Cap Pool ($0.5 billion)	Actively Managed Canadian Equity Fund Focused on Smaller Capitalized Companies	19.4%	33.0%	Nesbitt Burns Small Cap Index
US Passive ($1.7 billion)	US Equity Index Fund based on the S&P 500	12.9%	13.2%	Standard and Poor's 500 Index in $Cdn
US Active Managers ($1.3 billion)	Actively Managed US Equity Fund using a multi-manager structure	12.4%	13.2%	Standard and Poor's 500 Index in $Cdn
International Active Managers Pool ($2.7 billion)	Actively Managed Foreign Equity Fund using a multi-manager structure	37.9%	20.1%	MSCI Europe Australia and Far East (EAFE) Index in $Cdn
Private Real Estate Pool ($1.2 billion)	Actively Managed Real Estate Fund	9.7%** (gross) 5.7%** (net)	9.9%** (gross)	Frank Russell Commercial Property Index

* Benchmark returns include the reinvestment of income as well as realized and unrealized capital gains.

** Annual rates of return net of fees.

Foreign equity was a significant source of IMD's performance that exceeded the benchmark return. On the US side, both active and passive products tracked closely to the index. On the international side, the active management component significantly out-performed its benchmark. This was driven primarily by strong security selection in the Pacific Basin region. The structured component was rationalized during the year and therefore a full year's performance is unavailable. On a six month basis, the structured component significantly out-performed the benchmark due to the strengthening of the Canadian dollar against non-North American currencies.

The Private Real Estate Pool (PREP) gross rate of return was 10.9% during the 1999 calendar year compared to the benchmark Frank Russell Commercial Property Index return of 10.7%. PREP's net rate of return, which deducts costs such as capital expenditures, leasing costs, mortgage payments, tenant improvements and administrative expenses, was 7.4%.

The domestic fixed income products met or exceeded the broad market indices against which they are measured. Rising interest rates in the second half of the year had a depressing impact on bond prices and therefore absolute rates of return.

In Canadian equities, the strong performance of a limited number of technology related companies, especially Nortel Networks, resulted in a relatively narrow and concentrated market. By the end of the fiscal year, Nortel Networks either directly, or indirectly, through BCE's holdings, accounted for nearly 30% of overall market capitalization. Active managers, both large and small cap, suffered from the narrowness of the market as they are managing less index-oriented portfolios.

ALBERTA HERITAGE SAVINGS TRUST FUND

The statutory mission of the Fund is:

"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

The Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan and annual report of the Fund. The Standing Committee has representation from the major parties of the Legislature. The Committee receives regular reports and conducts public meetings in different locations in the Province to update Albertans.

The Provincial Treasurer has responsibility for the Fund's investments. An Investment Operations Committee reviews and makes recommendations with respect to the business plan, annual report and investment policy. The business plan of the Heritage Fund is published as part of the provincial budget and the income of the Fund is consolidated into the revenue of the Province.

The approved business plan for the Fund has three goals:

1. to earn income to support the government's fiscal plan,
2. to maximize long-term financial returns, and
3. to improve Albertans' understanding of the Fund.

To meet these goals, two separate portfolios were established in January 1997, a Transition Portfolio and an Endowment Portfolio. By 2007, the Transition Portfolio will be transferred to the Endowment Portfolio. A minimum of $1.2 billion to a maximum of $2.4 billion is transferred from the Transition Portfolio to the Endowment Portfolio each year. The Transition Portfolio is invested primarily in fixed-income securities in order to generate income to fund current government programs. At March 31, 2000, the fair market value of the assets in the Transition Portfolio was $6.9 billion.

The objective of the Endowment Portfolio is to maximize long-term financial returns. As a result, it has a heavier emphasis on equity investments. At March 31, 2000, the fair market value of the assets in the Endowment Portfolio was $6 billion. Should market opportunities arise, up to $2.4 billion can be transferred in the 2000-01 fiscal year.

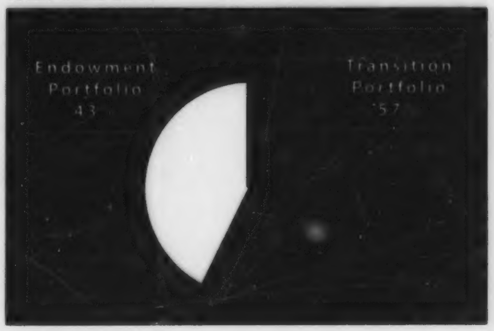
Heritage Fund Performance

- The Fund earned net income of $1.2 billion in 1999-2000, up from $932 million a year earlier, reflecting strong equity market returns and capital gains arising from the re-structuring of the Canadian equity portfolio. $230 million of 1999-2000 net income was retained within the Fund, with the remainder transferred to the General Revenue Fund.
- On March 31, 2000, the total equity of the Fund was $12.3 billion on a cost basis, an increase of $230 million. On a fair market value basis, the total equity in the Fund was $12.9 billion, up from $12.7 billion on March 31, 1999.
- Over the year, $1.2 billion (at cost) was transferred from the Transition Portfolio to the Endowment Portfolio.
- The Transition Portfolio returned 3% while the current benchmark based on the Canadian dollar portion of the Province's liability portfolio returned 2.9%. A new benchmark has been established that better reflects the investment universe in which the Transition Portfolio is invested.
- The Endowment Portfolio returned 18%, well ahead of the benchmark portfolio return of 16.4%. Asset allocation was a

positive contributor to performance as was the performance of the foreign equity component.

- The Endowment Portfolio rate of return exceeded that of most other institutional funds. A survey reports a median return of 17.1% for such funds for the year ending March 31, 2000.
- Combining the Transition Portfolio and the Endowment Portfolio, the Fund as a whole returned 9% on a market value basis, significantly higher than the book value cost of the Province's total debt (Canadian and US) of 6.9%.

HERITAGE FUND ASSETS (COST BASIS)
AT MARCH 31, 2000
Total: $12.3 billion



LIABILITY MANAGEMENT DIVISION

Liability Management Division (LMD) is responsible for provincial borrowing and debt management activities. LMD works to achieve the lowest cost on debt while ensuring that the variability in annual debt servicing costs and other risks remain within acceptable limits.

LMD monitors world capital markets looking for the lowest cost sources of money to refinance maturing provincial bonds and meet short-term cash needs. Borrowing can take place in any currency. However, through the use of various financial products and instruments, the debt portfolio has final exposure only in Canadian and US dollars.

In addition to lowering costs, borrowing in multiple markets serves to broaden the province's investor base and also minimizes refinancing risk. To access foreign markets, Alberta has established a number of borrowing programs with capital market regulators.

During 1999-2000, Treasury issued several medium-term notes and a $350 million debenture in the Canadian market, and three medium-term notes in the European market. The department also completed several financings for provincial corporations.

During the year, Treasury continued to provide information to credit rating agencies and investors in Alberta bonds. These initiatives included:

- providing detailed briefings and continual updates on the province's financial and economic status to credit rating agencies,
- producing *The Alberta Advantage*, which provides financial information on the province,
- making presentations to investment banks, life insurance companies, and pension funds that invest in Alberta bonds, and
- maintaining a database of investors and analysts throughout the world, who were sent budget highlights and other financial information.

Performance Measures

1. Total Cost of Debt

This measures the total cost of carrying the debt portfolio, including cash interest costs and changes in the market value of debt outstanding.

The market value cost of debt is calculated using the industry-standard time-weighted method. This measure reflects the economic cost of the debt and incorporates changes in the value of Alberta bonds due to changes in interest rates. For example, if interest rates rise in the marketplace, the market value cost of Alberta's fixed rate debt decreases. Floating rate debt adjusts to changes in market rates by periodically resetting its coupon rate to current rates, therefore, its market value is not as sensitive to interest rate changes.

This cost is compared to the market value cost of debt of a hypothetical benchmark portfolio designed especially for Alberta's debt. The market value cost of Alberta's debt should be less than or equal to the cost of the benchmark portfolio.

Overall, the market value cost of debt for the province's portfolio was lower than the benchmark portfolio. The Canadian dollar portion of the portfolio slightly out-performed the benchmark. The cost of the smaller US dollar portion of the portfolio, in Canadian dollars, slightly out-performed the benchmark as well.

The overall market value cost of debt in Canadian dollar terms for 1999-2000 was 2.21% versus the benchmark at 2.25%.

Key Performance Measure
MARKET VALUE COST OF DEBT
Year Ended March 31, 2000

	Alberta Debt Portfolio %	**Benchmark Portfolio %**
Canadian Dollar Portfolio	2.86	2.89
US Dollar Portfolio (in Canadian dollars)	0.96	1.01
Total Portfolio in Canadian Dollars	**2.21**	**2.25**

2. Market Spreads

Alberta's cost of borrowing is determined relative to the federal government's interest rate for the same term. Thus, an Alberta five year bond is priced in the market relative to a Government of Canada five year bond. The federal government enjoys a lower borrowing cost than any province owing to its strong credit rating and greater taxing power.

The difference in the interest rate Alberta would pay on a particular bond compared to what the federal government would pay on a bond with the same term to maturity is known as the market spread. The relative market spreads presented in the table are a reflection of the provinces' credit ratings as well as the market's perception of the provinces' fiscal and debt management.

Alberta has borrowed at the lowest market spreads of any Canadian province in every year since 1994-95, achieving the target set out in Treasury's 1999-2000 business plan.

MARKET SPREADS

	5-year Bonds				10-year Bonds			
	Canada	Alberta	B.C.	Ontario	Canada	Alberta	B.C.	Ontario
	Rate (%)	(basis point spread)*			Rate (%)	(basis point spread)*		
March 31, 1996	7.05	+ 8	+10	+17	7.67	+14	+17	+28
March 31, 1997	6.04	+ 5	+11	+11	6.68	+8	+18	+18
March 31, 1998	5.26	+ 7	+13	+13	5.42	+13	+22	+20
March 31, 1999	5.03	+13	+24	+19	5.09	+19	+33	+27
March 31, 2000	6.08	+15	+21	+19	5.91	+32	+43	+39

* A basis point is one one-hundredth of a percentage point

3. Credit Rating Agencies

Treasury's goal is to ensure that credit rating agencies understand the province's financial and economic position. To fulfil this goal, Treasury meets annually with three rating agencies and maintains a continual dialogue.

An annual rating agency survey is undertaken to measure satisfaction with the usefulness and effectiveness of information on the policy environment, economic and financial material provided by Treasury. For 1999-2000, the agencies reported being either satisfied or very satisfied with the briefings provided in 93% of the areas covered.

BANKING AND SECURITIES ADMINISTRATION

Treasury provides banking services to most government entities and securities administration services for Treasury's Investment Management and Liability Management Divisions. Some of the major results achieved during the year included:

- Effectively and efficiently handled cash flows in excess of $238 billion including revenues, expenditures and investment and debt transactions, facilitating the investment of all surplus cash and maximizing investment returns on a daily basis.
- Supported and coordinated the settlement of new debt issues in the amount of $901 million that were required to refinance, in part, Provincial debt of $1.9 billion which matured or was redeemed during 1999-2000.
- Administered investment portfolios totaling $37 billion during 1999-2000 and settled nearly 13,000 investment transactions with an approximate value of $161 billion over the fiscal year.
- Assisted various ministries with the setup of banking arrangements for new agencies including Human Resources and Employment for 18 new Child and Family Services Authorities as well as 7 new Associations for Persons with Developmental Disabilities.
- Significant participation in government-wide committees established to develop strategies and applications for Alberta's e-business and e-commerce initiative and assistance in the start up of the e-commerce website of Municipal Affairs' Survey Plan Index System.
- Assumed full responsibility for completing weekly valuation of all internally managed investments.

LOANS AND GUARANTEES

Loans and Guarantees administers major project loan agreements and guarantee and indemnity agreements. In addition, the division oversees the liquidation of non-core financial assets (loans, mortgages and foreclosed real estate) of a number of provincial corporations, including N.A. Properties (1994) Ltd. (NAP) and AGT Commission.

In accordance with government policy, Loans and Guarantees is disposing of remaining non-core financial assets and contingent liabilities under administration. The target is zero excluding on-going programs. The division has a target of recovering at least book value on non-core financial assets.

Total non-core financial assets administered by the division were reduced during 1999-2000 by $54 million to $259 million. During the year, the

Centennial loan was sold resulting in a recovery of approximately $2 million over book value. Gainers Inc. sold the Edmonton plant site. NAP recovered about $0.5 million on its provisions for loan losses. Remaining non-core financial assets in NAP are now nominal.

Total guarantees administered by Treasury were substantially reduced by $109 million to $201 million at March 31, 2000 from $310 million at March 31, 1999.

INVESTMENT AND DEBT ACCOUNTING

The Investment and Debt Accounting Group provides financial and performance reporting, and accounting advice and support to the Investment Management and Liability Management Divisions. Some of the results of the year included timely reporting of:

- quarterly and annual financial statements for the Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Foundation for Medical Research Endowment Fund,
- investment information for the public sector pension plans and the long-term disability funds, and
- performance of the investment and liability portfolios.

INVESTMENT AND DEBT INFORMATION SYSTEMS

The Investment and Debt Information Systems group (IDIS) is responsible for supporting the computerized applications that are used by Investment Management, Liability Management, Investment and Debt Accounting, and Banking and Securities Administration to manage financial assets and liabilities on the Province's behalf. Some of the results achieved during the year include:

- Developed and implemented an Index Linked Portfolio Rebalancing Model. This model is used by IMD to assist in the evaluation of current holdings of index-linked portfolios and calculate recommended trades to adjust holdings in accordance with shifting index weights.
- Completed Year 2000 readiness modifications and testing of the computerized applications and systems interfaces used by Investment Management, Liability Management, Banking and Securities Administration, and the Investment and Debt Accounting Group. No disruptions in normal business activities during the rollover to the year 2000 were experienced.

- Completed development and implementation of the swap database to support the administration and reporting of swap transactions negotiated on the Province's behalf. Currently in progress is the development of a standardized pricing model and process for valuing swap holdings.

- Re-engineered and implemented an enhanced version of the Farm Credit application. This system tracks the activities of participant financial institutions, calculates the administration fees related to the Farm Credit Stability Program and provides management reports supporting these activities.

- Continued working on implementing the FMC-Sylvan performance module. This third party software will provide enhanced performance measurement of investment activity and attribution reporting when fully implemented.

- Developed and implemented an automated cost allocation process to charge out the expenses and fees incurred by the various groups within Treasury who are responsible for investment management and investment related administration functions.

- Provided ongoing support for the third party securities management software used to report the trading activities, status and performance of the debt and investment portfolios managed by Treasury.

GOAL 5

PROMOTE AN EFFICIENT, FAIR AND COMPETITIVE CAPITAL MARKET AND AN EFFICIENT AND FAIR REGULATORY ENVIRONMENT FOR FINANCIAL INSTITUTIONS

ALBERTA SECURITIES COMMISSION

A fair and efficient capital market in Alberta and confidence in that market

ALBERTA SECURITIES COMMISSION

The Alberta Securities Commission (ASC) is an industry-funded provincial corporation that regulates the capital market in Alberta and balances the interests of investors, issuers and persons registered to sell securities. The ASC administers the Securities Act, Securities Regulation and Alberta Securities Commission Rules, which promote a fair and efficient capital market in Alberta with a high level of investor confidence.

ASC regulatory functions primarily address disclosure and other market conduct issues. The ASC provides public access to certain financial and corporate information filed by issuers. It registers and monitors persons and companies trading in securities or commodity contracts, and advising and underwriting securities. Staff take enforcement proceedings before the ASC and panels of Commission members hear appeals of decisions made by the Executive Director of the ASC, the Investment Dealers Association and the Canadian Venture Exchange.

During the 1999-2000 fiscal year, the ASC undertook a number of initiatives aimed at improving the efficiency of the capital market and strengthening investor confidence. This has been partly achieved by preparing the Securities Amendment Act, 2000. The primary focus of the legislation included an update and restructuring of the Securities Act to address the issues arising from the merger of the Alberta Securities Exchange and the Vancouver Securities Exchange to form the Canadian Venture Exchange, the addition of a Personal Information Form requirement for officers and directors, expanding the provisions relating to prohibited transactions and market manipulations and other "housekeeping" amendments.

The ASC, together with the Canadian Securities Administrators (CSA), continued to play a leadership role in the development of the Canadian Securities Regulatory System (CSRS). The CSA consists of ten provincial and three territorial securities administrators. The CSRS includes a system of mutual reliance for the review of prospectuses, applications for exemptive relief and registration of Self-Regulatory Organization member securities dealers, their salespersons and advisors. Other CSRS initiatives included:

- involvement in the realignment of Canadian stock exchanges that included the merger of the Alberta and Vancouver stock exchanges to form the Canadian Venture Exchange (CDNX). The most noteworthy aspect of the merger was the movement to a joint regulatory oversight function shared by the ASC and the BC Securities Commission. The establishment of CDNX is expected to significantly enhance capital formation in the two provinces.

- Review of an application for recognition of the Mutual Fund Dealers Association (MFDA) as a self-regulatory organization in Alberta. ASC, along with the Ontario and BC Securities Commissions, is currently reviewing the application, with a major focus on the examination of the MFDA by-laws, rules and business plan to ensure that its rules and resources are adequate to carry out its proposed regulatory function. The establishment of the MFDA would significantly increase protections for purchasers of mutual funds.

- A national registration database that will contain information on registrants in most jurisdictions in Canada and will assist in the adoption of a system of mutual reliance for registration. The database should make it easier for persons to register while improving public access to information.

- An insider trade reporting system database that will receive insider reports in electronic and paper formats and will disseminate the information through a web site. The system should improve the transparency of the capital market.

The ASC also undertook the following initiatives:

- Reviewing disclosure requirements for public companies involved in exploration, development and production in the oil and gas industry with a view to improving standards of disclosure in the industry. Improved standards of disclosure is expected to enhance confidence in the Alberta capital market.

- Leading the development of investor education, providing an improved access to information and enhancing the transparency of its activities, the ASC launched its web site at www.albertasecurities.com. The web site contains valuable information for the investing public and securities industry participants, including: news releases, securities legislation, enforcement orders, upcoming hearings and insider trading reports.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Encourage sound business practices of the Alberta Credit Unions and guarantee the repayment of all deposits according to legislation

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

The Credit Union Deposit Guarantee Corporation (CUDGC) regulates the solvency of credit unions in Alberta and the compliance of Alberta credit unions with the Credit Union Act.

The primary role of the Corporation is to guarantee deposit protection to deposit holders with credit unions in Alberta. CUDGC also assists, advises, and, if necessary, directs credit unions on sound business practices. The Corporation monitors and regulates credit union performance by conducting examinations and working closely with credit unions on improving the regulatory environment. It also provides loan review and approval for certain credit union loans. At the end of 1999, CUDGC celebrated its 25th anniversary.

All credit unions were required to report on their performance in meeting legislated capital adequacy requirements by October 31each year. For 1999, the overall consolidated capital of all credit unions met the requirement while the number of individual credit unions meeting the capital adequacy levels increased to 94% (83% in 1998). CUDGC continues to work closely with the credit unions that did not achieve their capital adequacy levels, with the goal of achieving capital requirements as soon as possible.

The credit-union-funded Deposit Guarantee Fund managed by CUDGC exceeded the 1.0% minimum target for equity in the Fund, with an equity level of 1.12% of total credit union assets. The assessment rate charged to credit unions was maintained at 0.17% of total credit union deposits and borrowings. CUDGC also administers the Master Bond Fund that provides insurance coverage for credit unions. The credit-union-funded equity for the Master Bond Fund was maintained at $2.4 million.

During 1999, the Corporation conducted its second credit union consultation survey. The survey results were distributed to each credit union and generally showed high satisfaction levels and an improvement over the previous survey conducted. Improved board governance for the Corporation and the credit unions' management of Y2K were successfully addressed in 1999. The major focus for 2000 will be providing leadership to Alberta credit unions on sound business practices and board governance.

FINANCIAL INSTITUTIONS AND INSURANCE ACTIVITIES

Treasury regulates the credit union, insurance, loan and trust industries in Alberta, balancing the interests of stakeholders including depositors, insurance policy holders, investors, insurance intermediaries and the companies themselves.

Regulation of these industries primarily involves disclosure and market conduct issues, and issues concerning the enforcement of legislation. Treasury provides access to financial and corporate information about credit unions, insurance, loan and trust companies through public registries.

Treasury monitors provincially incorporated insurers, Credit Union Central of Alberta (CUCA) and trust corporations and enforces solvency legislation. Treasury's role with respect to deposit insurance is restricted to ensuring that the Credit Union Guarantee Corporation is capable of fulfilling its guarantee of credit union deposits. All provincially incorporated trust and insurance companies and CUCA met the solvency requirements and no financial failures were recorded for insurance, loan or trust companies, CUCA or credit unions in 1999-2000.

Insurance and securities regulators are conducting a national review of the regulations surrounding segregated and mutual funds to ensure that the regulations are appropriate and consistent.

Treasury is also participating with other insurance regulators in Canada to modernize and harmonize the minimum capital requirements for property and casualty companies operating in Canada.

Treasury oversaw the drafting of a new Insurance Act that was required to address modernization concerns of the financial services industry and its stakeholders. The legislation was passed in the Spring 1999 session of the Legislative Assembly and is expected to be proclaimed later this year. Regulations in the following areas are now being drafted:

- mandatory errors and omissions insurance for agents and adjusters,
- mandatory continuing education for agents and adjusters, and
- regulation of the sale of credit-related insurance by financial institutions and car dealers.

Treasury received feedback from Alberta incorporated insurers and trust companies to determine if they had complied with directives and recommendations related to legislation and sound business practices. Treasury's target of 100% compliance was achieved. The feedback also indicated that companies were making good progress on implementing optional recommendations relating to operating matters.

A survey was conducted of financial institutions that verified more than 80% were satisfied or very satisfied with the efficiency and fairness of the regulatory environment, meeting the target set out in Treasury's business plan.

ALBERTA INSURANCE COUNCIL AND AUTOMOBILE INSURANCE BOARD

The Alberta Insurance Council (AIC) is responsible for conducting examinations, licensing, regulating and disciplining of insurance agents, brokers and adjusters in Alberta and for investigating consumer complaints against the industry.

During 1998, AIC coordinated the submissions of the Life, General and Insurance Adjusters Council to the Alberta Government relating to the new Insurance Act. In 1999-2000, AIC will be assisting the Treasury department in developing new regulations and revising existing regulations before the Act is proclaimed.

AIC is involved, along with the other provincial regulators, in a comprehensive study of life insurance agent education with the objective of ensuring that agents have a level of technical knowledge sufficient to maintain a high standard of consumer protection.

The Automobile Insurance Board reviews and approves the insurers' rating programs for compulsory auto coverage and investigates matters respecting automobile insurance premiums in Alberta.

Premiums for third party liability continue to increase in response to the persistent rise in frequency and severity of bodily injury claims. Collision and comprehensive coverage have yielded satisfactory results, partially offsetting the less favourable results for third party liability.

The Board endorses initiatives to improve traffic safety records such as "Think and Drive" that are aimed at reducing accidents through driver awareness campaigns.

GOAL 6

QUALITY FINANCIAL SERVICES TO ALBERTANS THROUGH ALBERTA TREASURY BRANCHES, ALBERTA MUNICIPAL FINANCING CORPORATION AND ALBERTA PENSIONS ADMINISTRATION CORPORATION

ALBERTA TREASURY BRANCHES

During 1999-2000, Alberta Treasury Branches (ATB) continued to focus on its three target markets: individual financial services, agri-industry and independent business. ATB's vision to be Alberta's first choice in financial services in its three target markets is a key driver of ATB's success and business strategies. ATB serves more than 500,000 Albertans in 240 communities through 144 branches, 130 agencies and over 200 automated banking machines.

Some of the key highlights for the year included:

- ATB customers rated their satisfaction with ATB at 7.8 on a scale of one to ten, when one is extremely dissatisfied and ten is extremely satisfied.
- Continued strong growth of ATB's residential and consumer loan portfolio that increased to $5.0 billion from $4.5 billion.
- ATB's non-interest expense to operating revenue ratio improved from 67.9 % to 64.3%.
- The successful launch of new Mastercard products as well as the Springboard RSP and GIC.

Underlying ATB's business plan is a focus on its people, processes and access. During the year a number of key initiatives were undertaken.

- People - significant training in credit, sales management and financial planning was carried out. Involvement of staff through sponsorship in community events was encouraged and given greater focus.

- Processes - progress was made in centralization of mortgage loan administration and eight critical administrative activities in the Calgary Central Services group. In addition, considerable effort has been made to build an automated on-line credit decisioning tool that will be rolled out in 2000-01.

- Access - in July 1999, ATB opened a Customer Contact (call) centre in Calgary with 128 seats. Plans are underway to expand the services it offers. During the year, new branches were added in Calgary Shawnessy, Calgary North Point, Edmonton West Point, Edmonton

ALBERTA TREASURY BRANCHES' VISION

Alberta's first choice in financial services in its three target markets

- *Individual financial services*
- *Agri-industry*
- *Independent business*

Albertans investing in Alberta

Namao and Fort McMurray Thickwood. Six Personal Service Centres were closed and relocated to existing or new branches. ATB Online, an Internet banking product for independent business customers was piloted during the year and will be available in the summer of 2000.

Financial Results

ATB's forecast for net income during the year was $94.8 million. Actual profit was $228.5 million (see table below). Excluding non-recurring gains of $48.9 million and recoveries of loan losses and allowances of $74 million, core earnings were $105.6 million, compared to $83.2 million last year.

ALBERTA TREASURY BRANCHES FINANCIAL RESULTS
as at March 31 (in millions of dollars)

	2000 Actual	2000 Target	1999 Actual
Earnings before non-recurring items	305.7	292.2	286.9
Other income	80.1	83.9	74.1
Non-interest expense, including deposit insurance	248.0	252.1	244.9
Loan losses	32.2	29.2	32.9
Core earnings	**105.6**	**94.8**	**83.2**
Significant loan loss recoveries and charges	74.0	—	29.1
Non-recurring gains/items	48.9	—	(1.6)
Net income	**228.5**	**94.8**	**110.7**

The $228.5 million in net earnings include non-recurring items of $48.9 million, including: $26.1 million in interest received on past impaired loans; $5 million from the sale of share options held by ATB; $9.5 million from a surplus from a Group Creditor's Life Insurance program, and an $8.3 million recovery in pension liabilities. ATB's net earnings also include a decrease in general loan loss allowances of $28.5 million and specific loan loss recoveries of $45.5 million.

Core results excluding non-recurring items:

- Net interest income was $305.7 million, up 6.6% from 1999. The increase was driven by growth in average interest earning assets of $807 million. The net interest margin was 3.2%, virtually identical to 1999's margin and almost 75% higher than the industry average.
- Other income was $80.1 million, up 8.1% from 1999.
- Non-interest expense was $248 million, up 1.3% from 1999.
- The ratio of non-interest expenses to operating revenue improved to 64.3% compared to 67.9% in 1999.
- Return on assets was 1.8%, compared to the industry average of 1.03%.

- ATB recorded a net recovery of loan losses of $41.8 million, compared to an annual provision for loan losses of $3.8 million in 1999. ATB continued to recover on past non-performing loans in the current year and continues to reduce the incidence of new impaired loans. ATB's gross impaired loans decreased by $56.9 million to $122.6 million, as at March 31, 2000. ATB's total allowance for credit losses at year-end exceeded gross impaired loans by $41.6 million, compared to $25.1 million in 1999.
- Total assets grew by 12.4%, to $10.4 billion. ATB's loan portfolio increased by 11.1% to $8.9 billion, with the greatest growth occurring in individual lending products.
- Deposits increased 10% to $9.9 billion during the year.
- Operating expenses fell during the year as a result of an $8.3 million decrease in pension liabilities.

Both on a core earnings basis and actual basis, most financial targets were exceeded. Other income to operating income, as well as growth targets for loans were below the targets. As the table below illustrates, ATB's financial performance during 1999-2000 compared favourably with the industry. At the end of March 2000, ATB's equity was $272.6 million.

ALBERTA TREASURY BRANCHES FINANCIAL RESULTS
as at March 31 (percentage)

	2000 Actual[a]	2000 Target	Industry Comparison[b]	1999 Actual
Operating revenue growth	6.86	4.18	13.36	14.04
Net interest spread on average earning assets	3.17	3.00	1.83	3.24
Other income to operating income	20.76	22.32	50.50	20.53
Expenses to operating revenue	64.29	67.02	66.07	68.29
Return on assets (before tax)	1.80	0.94	1.03	1.22
Loan Growth	10.52	9.41	0.84	7.73
Deposit Growth	10.00	12.01	4.05	3.39
Credit losses as a percentage of average loans	(0.49)	0.35	0.38	0.05

[a] Core results exclude the impact on exceptional items described above.

[b] ***Source:*** Average of eight major Canadian banks for the year ended October 31, 1999.

Note: The industry comparison for operating revenue growth includes growth from acquisitions and such items as capital market activities and investment management fees resulting from trading, investment banking and brokerage activities. ATB has no equivalent for these activities. This observation also applies to the industry comparison of other income to operating income.

ALBERTA MUNICIPAL FINANCING CORPORATION

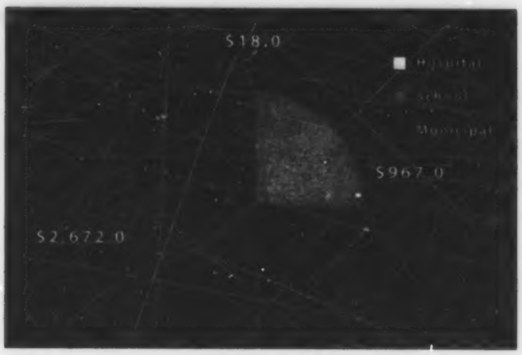
Alberta Municipal Financing Corporation (AMFC) provides local authorities within the province with funding for capital projects at the lowest possible cost, consistent with the viability of the Corporation. Today, AMFC provides financing for 14 cities, 3 specialized municipalities, 227 towns and villages, 40 counties, 27 municipal and improvement districts, 20 irrigation and water services commissions, 28 health authorities, 70 school district/divisions, 3 universities and 9 colleges.

AMFC offers a range of borrowing terms to its shareholders at rates comparable to the province's borrowing costs. The Corporation's goals are to provide local authorities with funding at the lowest possible cost and to maintain the lowest administrative and new loan costs compared to other municipal borrowing corporations. AMFC continues to have the lowest new issue and ongoing administration costs per $1,000 of loans of similar organizations in Canada.

AMFC has taken a number of deliberate steps over the past decade in order to reduce the level of the Corporation's surplus. The Corporation has reduced interest rates from highs of over 17% to 12%. It has issued interest rebates of $113 million and allowed a limited prepayment policy at a reduced penalty instead of full cost. An interest rate policy has been established that allows the Corporation's shareholders to borrow at a rate similar to the Province's borrowing cost. The accumulated effect of these steps has and will continue to impact the Corporation's income.

The Corporation recorded a net loss of $42.9 million in 1999. As in 1998, this loss is attributed to the difference between interest received on loans outstanding and the interest payments on debt. This loss was expected and budgeted for and reduced retained earnings to $275.7 million. The Corporation is budgeting for further losses in 2000 and 2001 of $48 and $16 million respectively as interest expense continues to exceed interest income. However, with debt repayment of $892 million in 2000 and $331 million in 2001, income becomes positive in 2002 and beyond. These projections are of course subject to the Corporation's loan activity but the Board of Directors believes that these projected losses can be incurred without reducing the Corporation's viability or credit worthiness.

ALBERTA MUNICIPAL FINANCING CORPORATION
Loans Outstanding by Purpose as at December 31, 1999
($ millions)



ALBERTA PENSIONS ADMINISTRATION CORPORATION

Alberta Pensions Administration Corporation (APA) became a provincial Crown corporation in 1996. It is responsible for administering eight pension plans under the direction of five pension boards and the Government of Alberta. Services are provided to approximately 500 employers, 49,000 pensioners and 147,000 members, including 22,000 deferred members. The combined assets of the pension plans exceeded $17 billion at December 31, 1999. The Investment Management Division of Alberta Treasury administers these assets.

Visit APA's website at www.apaco.ab.ca

APA's business is to collect pension contributions, maintain members' accounts, pay pension benefits and provide information to pension boards, employers, members and pensioners. In 1999, APA focused on the following major initiatives aimed at improving effectiveness and efficiency, and mitigating business risk:

- The Business Process Re-engineering (BPR) project was put on hold in January 2000 due to performance concerns and contractual difficulties with a software vendor who chose to discontinue involvement in the project. A comprehensive evaluation commenced to select a pension administration system that meets current and future needs of the Corporation and its customers.
- Risk mitigation actions were taken to ensure that business operations were not affected or interrupted as a result of the delay in the BPR project and Y2K. A decision was made to upgrade the existing computer system and preparations were made to ensure that APA customers were not affected by Y2K computer problems. A business recovery plan prepared for Y2K will serve to ensure continued operations in the event of possible future disasters.

- Focus continued on meeting customer needs throughout 1999. The Corporation commenced administering the new Supplemental Retirement Plans for the public service managers and provincial judges and masters in chamber. They calculated and mailed more than 8,000 Pension Adjustment Reversal Notices that restored RRSP room to former members; and continued to respond to the growing needs for pension information by conducting 114 employer workshops, 110 member information sessions and 792 one-on-one counselling sessions.
- Employee skills and abilities were enhanced through training in time management, customer service, pension administration and computer-based training in Office '97 products. An average of 32 hours of training per employee was provided in 1999. Eighteen employees received their Pension Plan Administration Certificates through Humber College. The Corporation also implemented a formal recognition program and introduced a new performance management program.

A survey conducted by Quantitative Services Measurement (QSM) confirmed that APA had one of the lowest per member administrative costs in 1999 compared to other Canadian public sector pension plan survey participants with fewer than 300,000 members. APA's average per member administrative cost was $65, based on QSM's survey methodology. In addition, the customer survey conducted in early 1999 showed that 95% of the 216 employers who responded were satisfied or very satisfied with the services provided by APA.

In 2000, APA will focus its efforts on the following key projects:

- Complete the evaluation of the "go-forward" options for a pensions administration system, recommend the best option to APA's Board of Directors and the pension plan boards, and position the Corporation to embark on the project.
- Develop a strategy that will result in the improvement of APA's performance relative to the delivery of pension administration services to plan members and employers.
- Complete the upgrade to the current computer system and migrate existing applications and data to the new system.
- Migrate the pensioner payroll software and data from APA's service provider to Alberta Innovation and Science's mainframe.

PERFORMANCE MEASURES IN THE 1999-2000 TO 2001-02 BUSINESS PLAN NOT REPORTED IN THE 1999-2000 ANNUAL REPORT

Goal	Performance Measure	Reason for not Reporting
2	• Portion of Albertans aware of the government's budget situation in the coming year; target: four out of five Albertans aware.	• Survey of Albertans did not include this question as the question on Albertans' awareness of the government's performance and financial position was considered adequate.
3	• Use of e-commerce; target: 15,000 Alberta businesses by the end of the 1999 tax year.	• This program is being developed in conjunction with the Canada Customs and Revenue Agency. The target is to have the program operational by the fall of 2000.
5	• **Alberta's market share of investment capital maintained**	• **With the merging of the Alberta and Vancouver Stock Exchanges, the information needed to calculate this performance measure is no longer available.**
	• Satisfaction of consumers with the quality of assistance, advice and information provided; target: four out of five satisfied or very satisfied.	• Survey was not undertaken. Form and frequency of survey is under review.
	• Tort reform proposals accepted by government and implemented.	• On hold awaiting insurance industry proposals.
6	• Meet and exceed customer expectations in its three target markets (i.e., independent business, personal and agri-business lending.	• Replaced with survey of overall customer satisfaction.

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Treasury as at March 31, 2000 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 24, 2000

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended March 31, 2000

	In thousands		
	2000		1999
	Budget (Schedule 2)	**Actual**	**Actual**
Revenues (Schedules 1 and 2):			
Income taxes	$ 6,078,553	$ 6,354,892	$ 6,259,679
Other taxes	1,121,654	1,106,991	1,065,858
Non-renewable resource revenue:			
Royalty tax credit	(256,000)	(188,028)	(249,486)
Transfers from Government of Canada	3,883	3,883	3,692
Investment income	1,408,965	1,911,789	1,627,819
Net income from commercial operations	98,016	245,538	124,376
Fees, permits and licences	14,002	32,231	14,523
Internal government transfers	18,396	112,686	200
Other	26,801	33,618	32,300
	8,514,270	9,613,600	8,878,961
Expenses (Schedules 2 and 3):			
Ministry support services	5,980	7,175	5,622
Revenue collection and rebates	13,931	14,571	12,293
Financial management and planning	26,544	26,373	25,685
Pensions administration	11,883	14,516	11,163
Regulation of securities markets	11,700	11,476	10,223
Regulation of the insurance industry	1,510	1,540	1,429
Transfers to the Alberta Heritage Foundation for Medical Research	39,500	39,500	36,000
Transfers to the Students Finance Board for payment of Alberta Heritage Scholarships	17,000	17,234	12,480
Corporate tax interest refunds	20,000	16,630	98,253
Farm credit stability and small business term assistance programs	4,700	3,968	6,913
Pension liability funding	81,000	62,418	70,676
Valuation adjustments (Schedule 4)	(56,000)	(94,169)	(40,894)
Debt servicing costs:			
General government	980,000	846,228	1,257,301
Local authorities	438,800	421,580	462,802
School boards	101,033	101,036	111,715
	1,697,581	1,490,076	2,081,661
Net operating results	$ 6,816,689	$ 8,123,524	$ 6,797,300

The accompanying notes and schedules are part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2000

	In thousands	
	2000	**1999**
Assets:		
Cash	$ 405,807	$ 358,175
Accrued interest and accounts receivable (Schedule 5)	1,099,085	1,093,942
Portfolio investments (Schedule 6)	12,934,117	12,121,276
Equity in commercial enterprises (Schedule 7)	375,197	195,952
Loans and advances to government entities (Schedule 8)	1,364,621	1,436,143
Other loans and advances (Schedule 9)	3,831,757	4,082,718
Inventories held for resale	74	72
Capital assets (Schedule 10)	7,830	7,339
	$ 20,018,488	$ 19,295,617
Liabilities:		
Accrued interest and accounts payable (Schedule 11)	$ 691,500	$ 644,253
Unmatured debt (Schedule 12)	11,687,141	12,979,233
Debt of Alberta Municipal Financing Corporation (Schedule 13)	3,562,733	3,788,001
Pension obligations (Schedule 14)	878,936	972,977
Other accrued liabilities (Schedule 15)	995,808	1,112,055
Equity of Alberta Municipal Financing Corporation (Schedule 13)	261,793	307,516
	18,077,911	19,804,035
Net Assets (Liabilities):		
Net liabilities at beginning of year, as restated (Note 4)	(508,418)	(1,170,819)
Net operating results	8,123,524	6,797,300
Net transfer to general revenues	(5,674,529)	(6,134,899)
Net assets (liabilities) at end of year	1,940,577	(508,418)
	$ 20,018,488	$ 19,295,617

The accompanying notes and schedules are part of these financial statements.

NOTE 1 (continued)

The Alberta Government Telephones Commission and its subsidiaries	Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended, and the Alberta Government Telephones Reorganization Act, Chapter A-23.5, Statutes of Alberta 1990
Alberta Treasury Branches and its subsidiary ATB Investment Services Inc.	Alberta Treasury Branches Act, Chapter A-37.9, Statutes of Alberta 1997
Credit Union Deposit Guarantee Corporation	Credit Union Act, Chapter C-31.1, Statutes of Alberta 1989, as amended
N.A. Properties (1994) Ltd.	Amalgamated corporation under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended
S C Financial Ltd.	Incorporated May 29, 1986 under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended, as a wholly owned company of the Credit Union Deposit Guarantee Corporation
Gainers Inc.	Incorporated under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended

NOTE 2 PURPOSE

The Ministry's core functions are to:

(a) Provide analysis and recommendations to the Provincial Treasurer and Treasury Board;

(b) Maintain a framework that fosters government accountability;

(c) Administer and collect tax revenue;

(d) Manage the province's financial assets and liabilities;

(e) Foster a fair and efficient financial marketplace; and

(f) Provide financial services through Alberta Treasury Branches, Alberta Municipal Financing Corporation, and Alberta Pensions Administration Corporation.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

NOTE 3 (continued)

These financial statements are prepared in accordance with the following accounting policies.

(a) Method of Consolidation

The accounts of the Department, the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Risk Management Fund, the Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, and Alberta Securities Commission are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Intra-ministry transactions (revenues, expenses, investing and financing transactions, and related asset and liability accounts) have been eliminated.

The accounts of Provincial agencies and other entities designated as commercial enterprises (the Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation, N.A. Properties (1994) Ltd., and S C Financial Ltd.), and commercial Crown-controlled corporations (Gainers Inc.) are reported on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

The reporting period of some of the Provincial agencies is other than March 31. Transactions of these agencies that have occurred during the period to March 31, 2000 and that significantly affect the consolidation have been recorded.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Corporate income tax receipts in abeyance are recorded as accounts payable.

Expenses

Expenses represent the cost of resources consumed during the year on Ministry operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional government and employer contributions for service relating to prior years.

Certain expenses, primarily for office space and legal advice, incurred on behalf of the Ministry by other Ministries are not reflected in the consolidated statement of operations. Schedule 17 discloses information on these related party transactions.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Valuation adjustments for pension obligations include interest on the Ministry's share of the unfunded liability and amortization of deferred adjustments over the expected average remaining service life of employees.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 2000

	In thousands	
	2000	**1999**
Operating transactions:		
Net operating results	$ 8,123,524	$ 6,797,300
Non-cash items included in net operating results	(524,006)	(1,502)
	7,599,518	6,795,798
Change in equity of Alberta Municipal Financing Corporation	(45,723)	(23,067)
Other, net	23,563	(137,231)
Cash provided by operating transactions	7,577,358	6,635,500
Investing transactions:		
Proceeds from disposals, repayments and redemptions of portfolio investments	6,557,374	7,664,589
Repayment of loans and advances	3,067,721	1,701,970
Portfolio investments	(7,145,869)	(7,594,002)
Loans and advances	(2,715,898)	(1,309,508)
Other, net	68,219	(38,793)
Cash provided by (used for) investing transactions	(168,453)	424,256
Financing transactions:		
Debt issues	19,062,203	23,970,385
Debt retirement	(20,646,930)	(24,759,193)
Grants for school construction debenture principal repayment	(102,017)	(104,194)
Net transfer to general revenues	(5,674,529)	(6,134,899)
Cash used for financing transactions	(7,361,273)	(7,027,901)
Net cash provided	47,632	31,855
Cash at beginning of year	358,175	326,320
Cash at end of year	$ 405,807	$ 358,175

The accompanying notes and schedules are part of these financial statements.

Ministry of Treasury
Notes to the Consolidated Financial Statements

For the Year ended March 31, 2000

NOTE 1 AUTHORITY

The Provincial Treasurer has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfil these responsibilities, the Provincial Treasurer administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Treasury (the Ministry).

Department of Treasury (the Department)	Government Organization Act, Statutes of Alberta 1994, as amended
Alberta Heritage Foundation for Medical Research Endowment Fund	Alberta Heritage Foundation for Medical Research Act, Chapter A-26, Revised Statutes of Alberta 1980, as amended
Alberta Heritage Savings Trust Fund	Alberta Heritage Savings Trust Fund Act, Chapter A-27.01, Statutes of Alberta 1996
Alberta Heritage Scholarship Fund	Alberta Heritage Scholarship Act, Chapter A-27.1, Statutes of Alberta 1981, as amended
Alberta Risk Management Fund	Financial Administration Act, Revised Statutes of Alberta 1980, as amended
Supplementary Retirement Plan Reserve Fund	Treasury Board Directive pursuant to the Financial Administration Act, Revised Statutes of Alberta 1980, as amended
Utility Companies Income Tax Rebates Fund (remaining assets transferred to the Department in October 1999)	Utility Companies Income Tax Rebates Act, Chapter U-10, Revised Statutes of Alberta 1980, as amended
Alberta Insurance Council	Insurance Act, Chapter I-5, Revised Statutes of Alberta 1980, as amended
Alberta Municipal Financing Corporation	Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended
Alberta Pensions Administration Corporation	Incorporated August 10, 1995 under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended
Alberta Securities Commission	Incorporated June 1, 1995 under the Securities Act, Chapter S-6.1, Statutes of Alberta 1981, as amended

NOTE 3 (continued)

Assets

Financial assets are limited to financial claims on outside organizations and individuals and inventories held for resale at the year end.

Portfolio investments are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Loans are recorded at cost less any unearned income and allowance for credit loss. Discounts recorded as the result of interest rate reductions given on loans to local authorities are amortized to investment income over the term of the loans. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

Inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Assets acquired by right are not included. Capital assets of the Ministry are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets.

Liabilities

Liabilities include all financial claims payable by the Ministry at the year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of net operating results for the year.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

NOTE 3 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued taxes of the verification of taxable income; the effect on accrued pension obligations of actual experience compared to assumptions; and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(c) Change in Accounting Policy

Pension provisions for employer obligations under the Public Service Pension Plan and Management Employees Pension Plan that were previously reported in the financial statements of the Ministry of Treasury on its own behalf and on behalf of all departments are no longer reported by the Ministry of Treasury. The Ministry no longer reports liabilities for employer obligations under the Public Service Pension Plan and Management Employees Pension Plan.

This change was made to conform to new accounting standards to apply the defined contribution basis for multi-employer plans, rather than the previous defined benefit basis. Employer obligations for the Public Service Pension Plan and the Management Employees Pension Plan are accounted for on the defined benefit basis in the Province's consolidated financial statements.

Net operating results for the year ended March 31, 1999 have decreased by $19,647,000 and pension obligations and net liabilities at March 31, 1999 have decreased by $54,297,000 as a result of this change. This change has been applied retroactively and prior periods have been restated to reflect the change.

NOTE 4 REORGANIZATION

There were some changes in the responsibilities of the Ministry as a result of government reorganization revisions in Budget '99, a subsequent reorganization announced by the government on May 25, 1999, and other transfers of responsibility announced throughout the year. Comparative figures for 1999 have been restated as if the Ministry had always been assigned its current responsibilities.

The table below shows the effects of the reorganization and the change in accounting policy referred to in Note 3(c).

	In thousands
Net liabilities at March 31, 1998, as previously reported	$ 138,179
Obligation for future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	1,106,584
Effect of change in accounting policy for pension obligations	(73,944)
Net liabilities at March 31, 1998, as restated	$ 1,170,819

NOTE 5 RESTRICTED ASSETS

Financial assets include $230,677,000 (1999 $204,124,000) of sinking fund investments which are restricted for the settlement of debt issues of Alberta Municipal Financing Corporation.

NOTE 6 RISK MANAGEMENT

(a) Liability Management

The objective of the Ministry's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Ministry manages four risks - interest rate risk, currency exchange risk, credit risk, and refunding risk. The Ministry manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Ministry's unmatured debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The policy guideline for interest rate risk is that Canadian dollar floating rate debt should be between 25 per cent and 50 per cent of total Canadian dollar debt. The policy guideline for currency exchange risk is that there be no exposure to currencies other than United States dollars. Further, the unhedged U.S. dollar debt should not exceed US$3,000,000,000.

Credit risk relating to swaps is minimal as management deals only with the most credit worthy counterparties. The policy guideline for refunding risk is that term debt maturities should not exceed $3,500,000,000 in any fiscal year, excluding early redemption of Alberta Capital Bonds and Alberta Savings Certificates.

These policies were complied with during the year.

(b) Asset Management

The majority of the Ministry's portfolio investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund).

The Heritage Fund is comprised of two portfolios. The Endowment Portfolio has the objective of maximizing long-term financial returns. The portfolio is comprised of 30 per cent to 50 per cent fixed-income instruments and 50 per cent to 70 per cent equities. The Transition Portfolio has the objective of providing income support to the government's fiscal plan over the short term to medium term. The portfolio consists mainly of Canadian fixed-income securities.

The investments in the Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Heritage Scholarship Fund are managed to preserve the capital of the funds over time and to provide an annual level of income for grants. Alberta Municipal Financing Corporation's sinking fund is managed to repay maturing debt of the corporation.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Ministry and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 15.

Any losses arising from the settlement of contingencies are treated as current year expenses.

NOTE 7 (continued)

(a) Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2000 amounted to $132,106,000 (1999 $116,635,000). These commitments will become expenses of the Ministry when terms of the contracts are met. These amounts include obligations under operating leases which expire on various dates to March 31, 2005. The aggregate amounts payable for the unexpired terms of these leases are as follows:

2000-01	$ 26,410,000
2001-02	21,652,000
2002-03	16,684,000
2003-04	13,881,000
2004-05	12,038,000
Thereafter	41,441,000
	$132,106,000

(b) Guarantees

Guarantees at March 31, 2000 amounting to $195,349,000 (1999 $304,040,000) are analyzed in Schedule 16. This schedule is included with the financial statements because payments under guarantees are a statutory charge on the Ministry.

(c) Contingencies of Commercial Enterprises

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 1999, credit unions in Alberta held deposits totalling $5,118,771,000 (1998 $4,771,124,000), and had assets in excess of deposits.

At March 31, 2000, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to $416,778,000 (1999 $424,346,000). During the 1998-99 fiscal year, Alberta Treasury Branches initiated legal actions which resulted in counterclaims aggregating $475,500,000. The eventual outcome of these claims and counterclaims is not determinable.

N.A. Properties (1994) Ltd. has provided guarantees of principal and interest on mortgages sold to Canadian Western Bank. The principal and interest on these mortgages totalled $23,338,000 at March 31, 2000 (1999 $32,882,000).

(d) Legal Actions

At March 31, 2000, the Ministry is a defendant in various legal actions, including legal actions relating to insurance claims. The total claimed in specific legal actions amounts to approximately $391,680,000 (1999 $146,201,000). Included in this amount are claims for $257,050,000 (1999 $42,050,000) in which the Ministry has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

NOTE 8 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accrued interest, receivables and payables, are estimated to approximate their book values.

NOTE 8 (continued)

The methods used to determine the fair values of portfolio investments are explained in the following paragraphs.

> Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.
>
> Mortgages and certain non-public provincial debentures are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
>
> The fair value of private equities is estimated by management.
>
> Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt and debt held by Alberta Municipal Financing Corporation is an approximation of its fair value to the holder.

At the year end, the fair values of investments and any other assets and liabilities denominated in a foreign currency are translated at the year end exchange rate.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Ministry has no equity in the funds and administers them for the purposes of various trusts, they are not included in the Ministry's consolidated financial statements.

As at March 31, 2000, trust funds under administration were as follows:

	In thousands	
	2000	**1999**
Local Authorities Pension Plan Fund	$ 9,283,601	$ 7,771,333
Public Service Pension Plan Fund	4,365,244	3,674,083
The Workers' Compensation Board Accident Fund	2,889,716	2,703,227
Universities Academic Pension Plan Fund	1,859,982	1,566,196
Management Employees Pension Plan Fund	1,532,693	1,334,290
Special Forces Pension Plan Fund	1,039,672	856,245
Regional Health Authorities and various health institutions construction accounts	205,166	172,124
Other	63,590	68,790
	$ 21,239,664	$ 18,146,288

NOTE 10 PENSIONS

The Ministry participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these plans is equivalent to the annual contributions of $2,078,000 for the year ended March 31, 2000 (1999 $1,806,000).

Effective January 1, 1999, the Ministry's contribution to the Public Service Pension Plan was reduced by 0.3% of pensionable salaries.

NOTE 10 (continued)

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998 $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 $406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

NOTE 11 COMPARATIVE FIGURES

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Provincial Treasurer.

Ministry of Treasury
Schedules to the Consolidated Financial Statements

For the Year ended March 31, 2000

REVENUES

Schedule 1

	In thousands		
	2000		**1999**
	Budget	**Actual**	**Actual**
Income taxes:			
Personal income tax	$ 4,333,732	$ 5,100,031	$ 4,600,762
Corporate income tax	1,744,821	1,254,861	1,658,917
	6,078,553	6,354,892	6,259,679
Other taxes:			
Fuel tax	570,000	567,941	546,918
Tobacco tax	350,000	339,339	341,333
Insurance corporations tax	119,025	116,965	101,555
Hotel room tax	45,000	47,696	44,614
Financial institutions capital tax	37,629	35,050	31,438
	1,121,654	1,106,991	1,065,858
Non-renewable resource revenue:			
Royalty tax credit	(256,000)	(188,028)	(249,486)
Transfers from Government of Canada:			
Unconditional subsidy	3,883	3,883	3,692
Investment income	1,408,965	1,911,789	1,627,819
Net income from commercial operations:			
Alberta Treasury Branches	94,837	228,490	110,692
Other	3,179	17,048	13,684
	98,016	245,538	124,376
Fees, permits and licences:			
Deposit guarantee fee	-	17,444	-
Alberta Securities Commission	12,300	11,628	11,482
Insurance companies, agents and brokers	600	1,768	1,700
Other	1,102	1,391	1,341
	14,002	32,231	14,523
Internal government transfers:			
Lottery Fund	18,196	112,486	-
Other	200	200	200
	18,396	112,686	200
Other:			
Sale of assets	1,000	2	-
Refunds of expenditure	479	2,830	3,913
Miscellaneous	25,322	30,786	28,387
	26,801	33,618	32,300
	$ 8,514,270	$ 9,613,600	$ 8,878,961

BUDGET

Schedule 2

	In thousands				
	For the year ended March 31, 2000				
	1999-2000 Estimates Restated (a)	**Adjustments (b)**	**1999-2000 Budget Restated**	**Voted Supplementary (c)**	**1999-2000 Authorized Budget**
Revenues					
Income taxes	$ 6,078,553	$ -	$ 6,078,553	$ -	$ 6,078,553
Other taxes	1,121,654	-	1,121,654	-	1,121,654
Non-renewable resource revenue					
Royalty tax credit	(256,000)	-	(256,000)	-	(256,000)
Transfers from Government of Canada	3,883	-	3,883	-	3,883
Investment income	1,408,965	-	1,408,965	-	1,408,965
Net income from commercial operations	98,016	-	98,016	-	98,016
Fees, permits and licences	14,002	-	14,002	-	14,002
Internal government transfers	18,396	-	18,396	-	18,396
Other	26,801	-	26,801	750	27,551
	8,514,270	-	8,514,270	750	8,515,020
Expenses					
Ministry support services	5,980	-	5,980	738	6,718
Revenue collection and rebates	13,931	-	13,931	-	13,931
Financial management and planning	26,544	-	26,544	750	27,294
Pensions administration	11,883	-	11,883	-	11,883
Regulation of securities markets	11,700	-	11,700	-	11,700
Regulation of the insurance industry	1,510	-	1,510	-	1,510
Transfers to the Alberta Heritage Foundation for Medical Research	39,500	-	39,500	-	39,500
Transfers to the Students Finance Board for payment of Alberta Heritage Scholarships	17,000	-	17,000	-	17,000
Corporate tax interest refunds	20,000	-	20,000	-	20,000
Farm credit stability and small business term assistance programs	4,700	-	4,700	-	4,700
Pension liability funding	81,000	-	81,000	-	81,000
Valuation adjustments	13,000	(69,000)	(56,000)	-	(56,000)
Debt servicing costs:					
Provincial purposes	980,000	-	980,000	-	980,000
Municipal, hospital and school purposes	438,800	-	438,800	-	438,800
School construction purposes	101,033	-	101,033	-	101,033
	1,766,581	(69,000)	1,697,581	1,488	1,699,069
Net operating results	$ 6,747,689	$ 69,000	$ 6,816,689	$ (738)	$ 6,815,951

(a) Effective April 1, 1999, the responsibilities of the Ministry changed as a result of government organization revisions in Budget '99, a major reorganization announced by the government on May 25, 1999 and other transfers of responsibility announced throughout the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Adjustments consist of a budget for pension provisions which was not included in the Estimates.

(c) Supplementary Estimates were approved on March 14, 2000. Treasury Board approval is pursuant to section 29(1.1) of the Financial Administration Act.

EXPENSES BY OBJECT

Schedule 3

In thousands

	2000		1999
	Budget (a)	Actual	Actual
Salaries, wages and employee benefits	$ 40,704	$ 41,083	$ 36,200
Supplies and services	27,151	31,178	24,838
Grants	157,533	157,795	161,362
Interest and amortization of unrealized exchange gains and losses	1,418,457	1,267,760	1,720,077
Pension liability funding	81,000	62,418	70,676
Corporate tax interest refunds	20,000	16,630	98,253
Other financial transactions	6,477	5,891	8,736
Amortization of capital assets	2,515	1,942	2,693
Valuation adjustments	(56,000)	(94,169)	(40,894)
	1,697,837	1,490,528	2,081,941
Less recovery from support service arrangements with related parties (b)	256	452	280
	$ 1,697,581	$ 1,490,076	$ 2,081,661

(a) Effective April 1, 1999, the responsibilities of the Ministry changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) The Ministry provides financial, administrative and human resource services to various departments and offices of the Legislative Assembly. Costs incurred by the Ministry are recovered from the recipients of the services.

VALUATION ADJUSTMENTS

Schedule 4

In thousands

	2000		1999
	Budget	Actual	Actual
Provision for guarantees and indemnities	$ 10,000	$ (264)	$ (8,429)
Provision for doubtful accounts, loans and write-offs	3,000	(131)	10,260
Provision for employee benefits other than pensions	-	347	776
Provision for loans repayable from future appropriations	-	(80)	(8,236)
Pension provisions	(69,000)	(94,041)	(35,265)
	$ (56,000)	$ (94,169)	$ (40,894)

ACCRUED INTEREST AND ACCOUNTS RECEIVABLE

Schedule 5

	In thousands 2000	*In thousands* 1999
Personal income tax	$ 442,908	$ 462,467
Accrued interest receivable	331,722	339,453
Corporate income tax	191,029	206,633
Fuel tax	47,811	45,242
Due from the Lottery Fund	44,290	-
Insurance corporations tax	25,458	24,669
Financial institutions capital tax	5,464	7,998
Hotel room tax	4,670	3,809
Tobacco tax	3,673	3,540
Other	3,960	4,333
	1,100,985	1,098,144
Less: Allowance for doubtful accounts	1,900	4,202
	$ 1,099,085	$ 1,093,942

PORTFOLIO INVESTMENTS

Schedule 6

	In thousands			
	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a)(b):				
Government of Canada, direct and guaranteed	$ 1,712,505	$ 1,683,917	$ 2,444,591	$ 2,480,976
Provincial, direct and guaranteed	1,644,753	1,621,380	1,873,591	1,916,251
Municipal	70,765	70,783	71,888	75,165
Corporate	2,901,418	2,871,060	2,859,156	2,894,541
Pooled investment funds	2,791,709	2,683,708	2,280,389	2,264,678
	9,121,150	8,930,848	9,529,615	9,631,611
Equities (b):				
Canadian	1,160,993	1,841,956	911,227	1,370,758
Foreign	2,223,039	2,374,685	1,490,381	1,592,820
Real estate	428,935	436,248	190,053	198,521
	3,812,967	4,652,889	2,591,661	3,162,099
	$ 12,934,117	$ 13,583,737	$ 12,121,276	$ 12,793,710

(a) The majority of the Ministry's fixed-income securities are in the Transition portfolio of the Alberta Heritage Savings Trust Fund. As at March 31, 2000, the Transition portfolio held $6,072,204,000 (1999 $6,931,516,000) of public fixed-income securities at cost (Fair value $5,991,499,000 (1999 $7,043,987,000)). The securities held have an average effective yield of 5.81% per annum (1999 4.91% per annum) based on market for securities maturing in a year, and 6.36% per annum (1999 5.30% per annum) for securities maturing between 1 and 35 years. As at March 31, 2000, the Portfolio has the following term structure based on par:

	2000	1999
	%	
Under 1 year	16	10
1 to 5 years	64	56
6 to 10 years	19	33
Over 10 years	1	1

(b) The Alberta Heritage Savings Trust Fund uses index swaps and interest rate swaps to enhance return and for hedging risks. As at March 31, 2000, the notional amount of index swaps and interest rate swaps issued by the Heritage Fund amounted to $1,357,968,000 (1999 $1,528,823,000).

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 7

	In thousands	
	2000	1999
Accumulated surpluses (deficits):		
Accumulated surpluses (deficits) at beginning of year	$ 107,768	$ (8,126)
Total revenue	845,429	758,743
Total expenditure	599,059	632,759
Net revenue	246,370	125,984
Net transfers to departments	(13,894)	(10,090)
Accumulated surpluses at end of year	$ 340,244	$ 107,768
Represented by:		
Assets:		
Loans	$ 8,924,922	$ 8,037,266
Investments (a)	150,000	200,000
Other assets	1,636,120	1,440,743
Total assets	10,711,042	9,678,009
Liabilities:		
Accounts payable	288,653	347,931
Deposits	9,924,626	9,022,310
Unmatured debt	157,519	200,000
Total liabilities	10,370,798	9,570,241
	$ 340,244	$ 107,768
Accumulated surpluses at end of year:		
Credit Union Deposit Guarantee Corporation	$ 66,674	$ 62,471
Alberta Treasury Branches	272,638	44,148
N.A. Properties (1994) Ltd.	932	114
The Alberta Government Telephones Commission	-	1,035
	340,244	107,768
Elimination of inter fund/agency balances	34,953	88,184
Equity in commercial enterprises at end of year	$ 375,197	$ 195,952

(a) Represents sinking fund notes which are restricted for the settlement of debt issues of The Alberta Government Telephones Commission.

LOANS AND ADVANCES TO GOVERNMENT ENTITIES

Schedule 8

	In thousands	
	2000	1999
Agriculture Financial Services Corporation	$ 677,838	$ 647,391
Alberta Social Housing Corporation	600,102	662,781
Alberta Opportunity Company	86,457	85,747
Public Trustee	224	224
Environmental Protection and Enhancement Fund	-	40,000
	$ 1,364,621	$ 1,436,143

OTHER LOANS AND ADVANCES

Schedule 9

	In thousands	
	2000	1999
Alberta Municipal Financing Corporation Act (a)	$ 3,537,733	$ 3,668,560
Farm Credit Stability Act	185,104	290,269
Alberta Heritage Savings Trust Fund Act	153,974	149,836
Pratt & Whitney Canada Ltd.	3,631	4,187
Board of Governors of the University of Alberta	2,941	3,218
Accountable advances	1,414	1,392
University of Lethbridge Students' Union	1,235	1,362
University of Calgary Students' Union	850	1,249
Implemented guarantees and indemnities	407	438
Judgement debts	235	286
Centennial Food Corporation	-	13,850
Advances under the Municipal Land Loans Act	-	1,070
University of Alberta Students' Union	-	233
Loans to municipalities	-	155
Small Business Term Assistance Act	-	4
Other	-	186
	3,887,524	4,136,295
Less: Allowance for doubtful loans, advances, implemented guarantees and indemnities	55,767	53,577
	$ 3,831,757	$ 4,082,718

(a) Municipal loans on average yield 9.8% per annum (1999 10.1%) and have the following term structure as at March 31, 2000.

	2000	1999
	%	
Under 1 year	1	1
1 to 5 years	25	24
6 to 10 years	42	42
Over 10 years	32	33

CAPITAL ASSETS

Schedule 10

In thousands

		2000			1999
	Estimated Useful Life	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Equipment	10 years	$ 3,063	$ 1,440	$ 1,623	$ 1,698
Computer hardware and software	5 years	25,235	19,738	5,497	5,122
Other	10 years	927	217	710	519
		$ 29,225	$ 21,395	$ 7,830	$ 7,339

ACCRUED INTEREST AND ACCOUNTS PAYABLE

Schedule 11

In thousands

	2000	1999
Accrued interest on unmatured debt and debt of Alberta Municipal Financing Corporation	$ 463,018	$ 505,424
Corporate income tax receipts in abeyance	188,410	103,105
Investment purchases	2,920	2,977
Unearned revenue	2,137	1,858
Alberta Social Housing Corporation	-	2,338
Other	35,015	28,551
	$ 691,500	$ 644,253

UNMATURED DEBT

Schedule 12

	In thousands					
	2000				1999	
	Effective Rate (a)(b)(c) %	Modified Duration (d) years	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt:						
Floating rate and short-term fixed rate debt (e)	5.56	0.33	$ 2,285,844	$ 2,362,000	$ 3,510,354	$ 3,555,000
Fixed rate long-term debt (f)	7.27	4.72	5,246,587	5,611,000	5,221,545	5,976,000
	6.75	3.42	7,532,431	7,973,000	8,731,899	9,531,000
Unhedged U.S. dollar debt (g):						
Floating rate and short-term fixed rate debt (e)	6.94	0.18	2,942,027	3,019,000	2,363,715	2,469,000
Fixed rate long-term debt	6.25	2.41	1,212,683	1,209,000	1,883,619	2,105,000
	6.74	0.82	4,154,710	4,228,000	4,247,334	4,574,000
Total unmatured debt	6.75	2.52	$ 11,687,141	$ 12,201,000	$ 12,979,233	$ 14,105,000

(a) Book value represents the amount the Ministry owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

(c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

(d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility. The modified duration for the performance of the debt is measured taking account of actions by management prior to the year end to arrange for the redemption of a US$500 million debt issue maturing on April 3, 2000. On this basis, the modified duration for the Canadian dollar debt, unhedged US dollar debt and total debt would be 3.42, 1.15, and 2.69 respectively.

(e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.

(f) Canadian dollar fixed rate debt includes $678,696,000 (1999 $678,696,000) held by the Canada Pension Plan Investment Fund.

(g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.4535 per U.S. dollar (1999 $1.5092 per U.S. dollar). Deferred exchange gains on unhedged U.S. dollar debt amounted to $4,803,000 at March 31, 2000 (1999 deferred losses of $148,943,000). Amortization of deferred exchange losses amounted to $5,206,000 for the year ended March 31, 2000 (1999 $301,816,000).

Schedule 12 *(continued)*

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2000-01, and thereafter are as follows:

2000-01	$2,340,388,000	(includes U.S. $800,000,000 unhedged)
2001-02	$1,416,476,000	(includes U.S. $355,130,000 unhedged)
2002-03	$1,420,244,000	(includes U.S. $806,400,000 unhedged)
2003-04	$1,694,542,000	(includes U.S. $500,000,000 unhedged)
2004-05	$1,190,495,000	(includes U.S. $208,800,000 unhedged)
Thereafter	$3,661,758,000	(includes U.S. $188,000,000 unhedged)

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $611,000,000, and in one to five years is $74,000,000.

Derivative financial instruments

The Ministry uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Ministry to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Ministry minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2000, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

The following table summarizes the Ministry's derivative portfolio and related credit exposure:

Notional amount: represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Replacement cost: represents the cost of replacing, at current market rates, all contracts which have a positive market value.

	In thousands			
	2000		1999	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 3,409,000	$ 44,000	$ 3,175,000	$ 263,000
Cross currency interest rate swaps	998,000	7,000	1,037,000	41,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	332,000	40,000	-	-
	$ 4,739,000	$ 91,000	$ 4,212,000	$ 304,000

DEBT AND EQUITY OF ALBERTA MUNICIPAL FINANCING CORPORATION

Schedule 13

	In thousands	
	2000	1999
Alberta Municipal Financing Corporation		
Canadian dollar fixed rate debt (a)	$ 3,562,733	$ 3,788,001
Equity (b)	$ 261,793	$ 307,516

(a) Canadian dollar fixed rate debt includes $3,097,555,000 (1999 $3,316,761,000) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 2000 (see Schedule 12 note (a)).

	2000	1999
Fair value	$4,503,000,000	$5,286,000,000
Effective rate per annum	12.1%	12.0%

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2000-01, are as follows:

2000-01	$442,367,000
2001-02	$331,739,000
2002-03	$724,735,000
2003-04	$441,023,000
2004-05	$338,491,000

(b) Alberta Municipal Financing Corporation equity has been included in liabilities of the Ministry because it represents profits of the corporation which the corporation has the power to pay to municipal and other shareholders that have borrowed money from the corporation.

PENSION OBLIGATIONS

Schedule 14

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

The valuations were based upon economic assumptions, including a long-term rate of return on pension plan fund assets of 4.25 per cent over the level of price inflation for the Public Service and the Public Service Management (Closed Membership) plans, and 4.0 per cent for the other plans. The rate was based upon a long-term rate of return of 7.5 per cent and 3.25 per cent respectively for the Public Service plan, 7.25 per cent and 3.0 per cent respectively for the Public Service Management (Closed Membership) plan, 7.5 per cent and 3.5 per cent respectively for the Special Forces plan, and 7.25 per cent and 3.25 per cent respectively for the Universities Academic plan. Demographic assumptions used in the valuations reflect the experience of the plans.

The latest actuarial valuations were performed as at December 31, 1999 for the Public Service Management (Closed Membership) plan, as at December 31, 1998 for the Public Service, Special Forces and Universities Academic plans, and as at December 31, 1997 for the Members of the Legislative Assembly plan. Except for the Public Service plan, these actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2000.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

	In thousands	
	2000	**1999**
Obligations to pension plans for current and former employees and Members of the Legislative Assembly:		
Public Service Management (Closed Membership) Pension Plan (a)	$ 653,660	$ 656,698
Members of the Legislative Assembly Pension Plan (b)	49,177	49,119
Public Service Pension Plan (a)	-	152,730
	702,837	858,547
Obligations to pension plans for employees of organizations outside the government reporting entity:		
Universities Academic Pension Plan (c)	121,204	106,041
Special Forces Pension Plan (c)	54,895	8,389
	176,099	114,430
	$ 878,936	$ 972,977

Schedule 14 *(continued)*

(a) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Ministry.

For Public Service, the December 31, 1998 actuarial valuation disclosed an actuarial surplus for service credited prior to January 1, 1992. Accordingly, additional contributions by the Province ceased effective January 1, 1999. Current service costs are funded by employers and employees.

(b) The Ministry has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date. The December 31, 1997 actuarial valuation used a discount rate of 7.5 per cent and a long term inflation rate of 3.5 per cent.

(c) Under the Public Sector Pension Plans Act, the Ministry has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Ministry, and such percentages by employers and employees as will fund equally the remaining amount as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45 per cent by the Ministry and 27.27 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

OTHER ACCRUED LIABILITIES

Schedule 15

	In thousands	
	2000	1999
Guarantees and indemnities:		
Credit union assistance (a)	$ 84,372	$ 98,994
Guarantees (Schedule 16)	5,832	6,324
Other	3,790	3,879
	93,994	109,197
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	892,057	994,154
Settlement with Principal Group noteholders	5,000	5,000
Vacation entitlements	4,757	3,704
	$ 995,808	$ 1,112,055

(a) The Ministry has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions. The indemnity will expire on October 31, 2010.

GUARANTEES (a)

Schedule 16

	In thousands 2000	1999	Expiry Date
Farm Credit Stability Act (b)	$ 191,599	$ 297,552	2011
Rural utilities loans	3,225	4,397	2009
Centre for Engineering Research Inc.	2,710	3,055	2005
Securities Act	2,160	2,160	Ongoing
University of Calgary	1,306	1,357	2016
Small Business Term Assistance Act	181	412	(c)
Banff Centre for Continuing Education	-	1,055	(c)
Export program	-	228	(c)
Other under $100,000	-	148	(c)
	201,181	310,364	
Less: Estimated liability (Schedule 15)	5,832	6,324	
	$ 195,349	$ 304,040	

(a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

No new program guarantees are being issued under the following Acts or programs: Farm Credit Stability Act, Small Business Term Assistance Act, and Export program. After October 29, 1999, no new program guarantees are being issued under the Rural Utilities Act. The guarantee under the Securities Act has no expiry date.

(b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

(c) Loans have expired, are in the process of realization of security, or guarantees are paid out.

RELATED PARTY TRANSACTIONS

Schedule 17

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management of the Ministry.

The Ministry is responsible for handling cash transactions of all departments and their funds. As a result, the Ministry engages in transactions with all other ministries in the normal course of operations.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	In thousands	
	2000	**1999**
Revenues:		
Transfers	$ 112,686	$ 200
Interest	108,840	120,883
Charges for services	6,757	6,749
	$ 228,283	$ 127,832
Expenses:		
Transfers	$ 17,234	$ 12,480
Cost of services	1,145	1,152
Recovery from support service arrangements	(452)	(280)
Interest	-	181
	$ 17,927	$ 13,533
Assets:		
Accounts receivable	$ 44,326	$ 43
Accrued interest receivable	21,918	20,690
Loans and advances	1,364,397	1,435,919
	$ 1,430,641	$ 1,456,652
Liabilities:		
Accounts and accrued interest payable	$ -	$ 2,338

	In thousands	
	2000	**1999**
Expenses (notional):		
Accommodation	$ 2,218	$ 2,254
Legal services	1,930	1,189
	$ 4,148	$ 3,443

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

Department of Treasury Financial Statements

for the Year ended March 31, 2000

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of financial position of the Department of Treasury as at March 31, 2000 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 24, 2000

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2000

	In thousands		
	2000		1999
	Budget (Schedule 4)	Actual	Actual
Revenues (Schedules 1 and 2)			
Internal government transfers	$ 812,796	$ 1,051,598	$ 932,013
Income taxes	6,078,553	6,354,892	6,259,679
Other taxes	1,121,654	1,106,992	1,065,858
Non-renewable resource revenue:			
Royalty tax credit	(256,000)	(188,028)	(249,486)
Transfers from Government of Canada	3,883	3,883	3,692
Investment income	89,430	88,394	65,225
Fees, permits and licences	1,702	19,077	1,595
Transfers from government enterprises	600	13,880	10,137
Other	9,997	14,429	16,614
	7,862,615	8,465,117	8,105,327
Expenses (Schedules 2, 3 and 5)			
Voted:			
Ministry support services	5,980	7,188	5,650
Revenue collection and rebates	13,931	14,571	13,055
Financial management and planning	20,853	20,941	19,785
Debt servicing costs	101,033	101,036	111,715
	141,797	143,736	150,205
Statutory:			
Corporate tax interest refunds	20,000	16,630	98,253
Farm credit stability program	4,700	3,967	6,904
Small business term assistance program	-	1	9
Pension liability funding	81,000	62,502	70,741
Debt servicing costs	985,000	851,136	1,264,427
	1,090,700	934,236	1,440,334
Valuation adjustments (Schedule 6)	(56,000)	(94,169)	(42,080)
	1,176,497	983,803	1,548,459
Net operating results	$ 6,686,118	$ 7,481,314	$ 6,556,868

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 2000

	In thousands	
	2000	**1999**
Operating transactions		
Net operating results	$ 7,481,314	$ 6,556,868
Non-cash items included in net operating results:		
Amortization on investments and debt, net		
Purchase and issue discounts	50,802	68,779
Foreign exchange losses	2,372	307,822
Net income on investments valued at equity	(818)	(1,343)
Amortization of capital assets	1,279	840
Valuation adjustments	(94,169)	(42,080)
	7,440,780	6,890,886
Decrease (increase) in receivables	(58,362)	19,148
Increase (decrease) in payables, including pension obligations	56,028	(24,362)
Cash provided by operating transactions	7,438,446	6,885,672
Investing transactions		
Loans and advances:		
Government entities	(2,451,326)	(1,165,412)
Other	(1,258)	(10,022)
Repayments of loans and advances:		
Government entities	2,363,338	1,064,030
Other	119,217	147,062
Purchase of capital assets (Schedule 5)	(1,622)	(2,861)
Transfer of capital assets from another department	-	(35)
Other, net	-	(19,046)
Cash provided by investing transactions	28,349	13,716
Financing transactions		
Debt issues	19,062,203	23,970,385
Debt retirement	(20,443,577)	(24,620,411)
Grants for school construction debenture principal repayment (Schedule 5)	(102,017)	(104,194)
Net transfer to general revenues	(5,674,529)	(6,134,899)
Cash used for financing transactions	(7,157,920)	(6,889,119)
Net cash provided	308,875	10,269
Bank overdraft at beginning of year	(244,037)	(254,306)
Cash and temporary investments (bank overdraft) at end of year	$ 64,838	$ (244,037)

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF FINANCIAL POSITION

March 31, 2000

	In thousands	
	2000	1999
Assets		
Cash and temporary investments (Schedule 8)	$ 64,838	$ -
Accounts and accrued interest receivable (Schedule 9)	959,412	902,891
Loans and advances to government entities (Schedule 10)	887,067	804,374
Other loans, advances and investments (Schedule 11)	196,152	307,408
Capital assets (Schedule 12)	5,245	4,902
	$ 2,112,714	$ 2,019,575
Liabilities		
Bank overdraft (Schedule 8)	$ -	$ 244,037
Accounts and accrued interest payable (Schedule 13)	503,165	447,137
Unmatured debt (Schedule 14)	11,749,476	13,064,118
Pension obligations (Schedule 15)	878,936	972,977
Other accrued liabilities (Schedule 16)	994,670	1,111,624
	14,126,247	15,839,893
Net Liabilities		
Net liabilities at beginning of year, as restated (Note 3)	(13,820,318)	(14,242,287)
Net operating results	7,481,314	6,556,868
Net transfer to general revenues	(5,674,529)	(6,134,899)
Net liabilities at end of year	(12,013,533)	(13,820,318)
	$ 2,112,714	$ 2,019,575

The accompanying notes and schedules are part of these financial statements.

Department of Treasury
Notes to the Financial Statements

For the Year ended March 31, 2000

NOTE 1 AUTHORITY AND PURPOSE

The Department of Treasury (the Department) operates under the authority of the Government Organization Act, Statutes of Alberta 1994, as amended.

The Department's core functions are to provide analysis and recommendations to the Provincial Treasurer and Treasury Board, maintain a framework that fosters government accountability, administer and collect tax revenue, manage the province's financial assets and liabilities, and foster a fair and efficient financial marketplace.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department, which is part of the Ministry of Treasury and for which the Provincial Treasurer is accountable. Other entities reporting to the Provincial Treasurer include the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Risk Management Fund, the Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, Alberta Securities Commission, Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation and its subsidiary S C Financial Ltd., N.A. Properties (1994) Ltd. and Gainers Inc. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of operations for which the Provincial Treasurer is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to general revenues is the difference between all cash deposits by other departments and all cash disbursements made on their behalf by the Department of Treasury.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Corporate income tax receipts in abeyance are recorded as accounts payable.

NOTE 2 (continued)

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional government and employer contributions for service relating to prior years.

Certain expenses, primarily for office space and legal advice, incurred on behalf of the Department by other Ministries are not reflected in the statement of operations. Schedule 19 discloses information on these related party transactions.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Valuation adjustments for pension obligations include interest on the Department's share of the unfunded liability and amortization of deferred adjustments over the expected average remaining service life of employees.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Loans are reported at their face value except for loans made on significantly concessionary terms which are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured. The stated value of loans is estimated to approximate fair value.

Investments are recorded at cost, except for investments in wholly owned provincial corporations operating as commercial enterprises which are valued on the equity basis. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Assets acquired by right are not included. Capital assets of the Department are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000.

NOTE 2 (continued)

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of net operating results for the year.

Net Liabilities

Net liabilities represents the difference between the value of assets held by the Department and its liabilities.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued taxes of the verification of taxable income; the effect on accrued pension obligations of actual experience compared to assumptions; and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(c) Change in Accounting Policy

Pension provisions for employer obligations under the Public Service Pension Plan and Management Employees Pension Plan that were previously reported in the financial statements of the Department of Treasury on behalf of all departments are no longer reported by the Department of Treasury. The Department no longer reports liabilities for employer obligations under the Public Service Pension Plan and Management Employees Pension Plan.

This change was made to conform to new accounting standards to apply the defined contribution basis for multi-employer plans, rather than the previous defined benefit basis. Employer obligations for the Public Service Pension Plan and the Management Employees Pension Plan are accounted for on the defined benefit basis in the Province's consolidated financial statements.

NOTE 2 (continued)

Net operating results for the year ended March 31, 1999 have decreased by $19,992,000 and pension obligations and net liabilities at March 31, 1999 have decreased by $53,874,000 as a result of this change. This change has been applied retroactively and prior periods have been restated to reflect the change.

NOTE 3 REORGANIZATION

There were some changes in the responsibilities of the Department as a result of government organization revisions in Budget '99, a subsequent reorganization announced by the government on May 25, 1999, and other transfers of responsibility announced throughout the year. Comparative figures for 1999 have been restated as if the Department had always been assigned its current responsibilities.

The table below shows the effects of the reorganization and the change in accounting policy referred to in Note 2(c).

	In thousands
Net liabilities at March 31, 1998, as previously reported	$13,209,569
Obligation for future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	1,106,584
Effect of change in accounting policy for pension obligations	(73,866)
Net liabilities at March 31, 1998, as restated	$14,242,287

NOTE 4 OVER EXPENDITURE OF AUTHORIZED BUDGET

The Department's actual voted non-budgetary disbursements exceeded the authorized budget by $5,000 for the year ended March 31, 2000. As required by the Financial Administration Act, this amount must be charged against the voted appropriation for the year ending March 31, 2001. See Schedule 5 to the financial statements.

NOTE 5 LIABILITY RISK MANAGEMENT

The objective of the Department's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Department manages four risks - interest rate risk, currency exchange risk, credit risk, and refunding risk. The Department manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Department's unmatured debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The policy guideline for interest rate risk is that Canadian dollar floating rate debt should be between 25 per cent and 50 per cent of total Canadian dollar debt. The policy guideline for currency exchange risk is that there be no exposure to currencies other than United States dollars. Further, the unhedged U.S. dollar debt should not exceed US$3,000,000,000.

Credit risk relating to swaps is minimal as management deals only with the most credit worthy counterparties. The policy guideline for refunding risk is that term debt maturities should not exceed $3,500,000,000 in any fiscal year, excluding early redemption of Alberta Capital Bonds and Alberta Savings Certificates.

These policies were complied with during the year.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Department and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 16.

Any losses arising from the settlement of contingencies are treated as current year expenses.

NOTE 6 (continued)

(a) Credit Union Act

The Credit Union Deposit Guarantee Corporation, operating under the authority of the Credit Union Act, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province, through the Department, will ensure that this obligation of the Corporation is carried out. As at December 31, 1999, credit unions in Alberta held deposits totalling $5,118,771,000 (1998 $4,771,124,000). Substantial assets are available to safeguard the Department from risk of loss arising from its potential obligation under the Act.

(b) Other Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2000 amounted to $9,024,000 (1999 $6,456,000). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

(c) Debenture, Deposit and Loan Guarantees

Guaranteed liabilities at March 31, 2000 of government entities amounting to $14,559,739,000 (1999 $14,087,799,000), and other guarantees amounting to $193,189,000 (1999 $301,880,000) are analyzed in Schedules 17 and 18 respectively. These schedules are included with the financial statements because payments under debenture and loan guarantees are a statutory charge on the Department. Payments under the guarantee of Alberta Treasury Branches deposits would also be made by the Department, under authority of a supply vote.

(d) Legal Actions

At March 31, 2000, the Department is a defendant in seventeen legal claims (1999 sixteen legal claims). Fourteen of the claims have specified amounts totalling approximately $391,680,000 and the remaining three have not specified any amount (1999 eleven claims with a specified amount of $146,201,000 and five with no specified amount). Included in the total legal claims are three amounting to $257,050,000 (1999 three amounting to $42,050,000) in which the Department has been jointly named with other entities. Four claims amounting to $10,365,000 (1999 two amounting to $255,000) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 7 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and temporary investments, accrued interest, receivables and payables, are estimated to approximate their book values.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt is an approximation of its fair value to the holder.

At the year end, the fair values of assets and liabilities denominated in a foreign currency are translated at the year end exchange rate.

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2000, trust funds under administration were as follows:

	In thousands	
	2000	**1999**
Local Authorities Pension Plan Fund	$ 9,283,601	$ 7,771,333
Public Service Pension Plan Fund	4,365,244	3,674,083
The Workers' Compensation Board Accident Fund	2,889,716	2,703,227
Universities Academic Pension Plan Fund	1,859,982	1,566,196
Management Employees Pension Plan Fund	1,532,693	1,334,290
Special Forces Pension Plan Fund	1,039,672	856,245
Regional Health Authorities and various health institutions construction accounts	205,166	172,124
Other	63,590	68,790
	$21,239,664	$18,146,288

NOTE 9 PAYMENTS UNDER AGREEMENT

The Department has entered into agreements to deliver programs and services that are fully funded by outside sponsors. Costs incurred under these agreements are paid by the Department under authority of the Financial Administration Act, section 29.1. Accounts receivable includes $54,000 (1999 $33,000) and accounts payable includes $167,000 (1999 $94,000) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	In thousands	
	2000	**1999**
Legacy Petroleum Ltd. bankruptcy costs	$ 469	$ -
Canadian fuel tax uniformity project	137	131
Alberta wage and salary survey	119	-
Alberta Pensions Administration Corporation payroll	-	3,055
	$ 725	$ 3,186

NOTE 10 PENSIONS

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $1,667,000 for the year ended March 31, 2000 (1999 $1,408,000).

Effective January 1, 1999, the Department's contribution to the Public Service Pension Plan was reduced by 0.3% of pensionable salaries.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998 $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 $406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

NOTE 11 COMPARATIVE FIGURES

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Provincial Treasurer.

Department of Treasury
Schedules to the Financial Statements

For the Year ended March 31, 2000

REVENUES

Schedule 1

	In thousands		
	2000		1999
	Budget	Actual	Actual
Internal government transfers:			
Alberta Heritage Savings Trust Fund	$ 794,600	$ 939,113	$ 932,013
Lottery Fund	18,196	112,485	-
	812,796	1,051,598	932,013
Income taxes:			
Personal income tax	4,333,732	5,100,031	4,600,762
Corporate income tax	1,744,821	1,254,861	1,658,917
	6,078,553	6,354,892	6,259,679
Other taxes:			
Fuel tax	570,000	567,941	546,918
Tobacco tax	350,000	339,340	341,333
Insurance corporations tax	119,025	116,965	101,555
Hotel room tax	45,000	47,696	44,614
Financial institutions capital tax	37,629	35,050	31,438
	1,121,654	1,106,992	1,065,858
Non-renewable resource revenue:			
Royalty tax credit	(256,000)	(188,028)	(249,486)
Transfers from Government of Canada:			
Unconditional subsidy	3,883	3,883	3,692
Investment income:			
Farm credit stability program	25,900	24,783	37,680
Other	63,530	63,611	27,545
	89,430	88,394	65,225
Fees, permits and licences:			
Deposit guarantee fee	-	17,444	-
Insurance companies, agents and brokers	600	242	249
Other	1,102	1,391	1,346
	1,702	19,077	1,595
Transfers from government enterprises:			
Alberta Government Telephones Commission	600	13,880	10,137
Other:			
Sale of assets	1,000	2	-
Refunds of expenditure	479	2,503	3,778
Miscellaneous	8,518	11,924	12,836
	9,997	14,429	16,614
	$ 7,862,615	$ 8,465,117	$ 8,105,327

DEDICATED REVENUE INITIATIVES

Schedule 2

	In thousands		
	2000		**1999**
	Authorized Budget	**Actual**	**Actual**
Tax and revenue administration:			
Dedicated revenue	$ 134	$ 224	$ 943
Expense	13,931	14,571	13,055
Net expense	$ 13,797	$ 14,347	$ 12,112
Office of budget and management:			
Dedicated revenue	$ 803	$ 689	$ -
Expense	8,359	8,035	7,467
Net expense	$ 7,556	$ 7,346	$ 7,467
Finance:			
Dedicated revenue	$ 3,967	$ 4,149	$ 2,137
Expense	8,214	8,108	7,835
Net expense	$ 4,247	$ 3,959	$ 5,698
Investment management:			
Dedicated revenue	$ 4,164	$ 4,583	$ 4,169
Expense	4,500	4,798	4,483
Net expense	$ 336	$ 215	$ 314
Totals:			
Dedicated revenue	$ 9,068	$ 9,645	$ 7,249
Expense	35,004	35,512	32,840
Net expense	$ 25,936	$ 25,867	$ 25,591

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expense budget is reduced. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

Following is a brief description of each dedicated revenue initiative:

- Tax and revenue administration: Collects debts owing to the Crown on behalf of government departments having no collection infrastructure or having accounts that are difficult to collect.
- Office of budget and management: Recovers employer contributions from Alberta Pensions Administration Corporation (APA) relating to employees transferred from the Department to APA who were at the time of the transfer and continue to be entitled to long term disability benefits. Also recovers costs of internal audit services and related travel and implementation costs from investment funds and pension plans.

Schedule 2 *(continued)*

- Finance: Provides banking, securities administration and systems support services to various public sector investment funds. Fees are based on cost recovery.
- Investment management: Manages the investments of various public sector investment funds. Fees are based on cost recovery.

The revenue and expense of each initiative's dedicated revenue and expense are reported in the statement of operations.

EXPENSES DETAILED BY OBJECT

Schedule 3

	In thousands		
	2000		1999
	Budget (a)	Actual	Actual
Voted:			
Salaries, wages and employee benefits	$ 26,421	$ 26,816	$ 24,794
Supplies and services	11,331	13,140	11,331
Grants	101,033	101,062	111,722
Financial transactions and other	1,777	1,906	1,811
Amortization of capital assets	1,491	1,279	840
Total voted expenses before recoveries	142,053	144,203	150,498
Less recovery from support service arrangements with related parties (b)	256	467	293
	$ 141,797	$ 143,736	$ 150,205
Statutory:			
Corporate tax interest refunds	$ 20,000	$ 16,630	$ 98,253
Pension liability funding	81,000	62,502	70,741
Debt servicing costs	985,000	851,136	1,264,427
Other financial transactions	4,700	3,968	6,913
Total statutory expenses	$ 1,090,700	$ 934,236	$ 1,440,334

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) The Department provides financial, administrative and human resource services to various Provincial agencies, departments and offices of the Legislative Assembly. Costs incurred by the Department are recovered from the recipients of the services.

BUDGET

Schedule 4

In thousands

For the year ended March 31, 2000

	1999-2000 Estimates Restated (a)	Adjustments (b)	1999-2000 Budget Restated	Authorized Supplementary (c)	1999-2000 Authorized Budget
Revenues					
Internal government transfers	$ 812,796	$ -	$ 812,796	$ -	$ 812,796
Income taxes	6,078,553	-	6,078,553	-	6,078,553
Other taxes	1,121,654	-	1,121,654	-	1,121,654
Non-renewable resource revenue					
Royalty tax credit	(256,000)	-	(256,000)	-	(256,000)
Transfers from Government of Canada	3,883	-	3,883	-	3,883
Investment income	89,430	-	89,430	-	89,430
Fees, permits and licences	1,702	-	1,702	-	1,702
Transfers from government enterprises	600	-	600	-	600
Other	9,997	-	9,997	750	10,747
	7,862,615	-	7,862,615	750	7,863,365
Expenses					
Voted:					
Ministry support services	5,980	-	5,980	738	6,718
Revenue collection and rebates	13,931	-	13,931	-	13,931
Financial management and planning	20,853	-	20,853	750	21,603
Debt servicing costs	101,033	-	101,033	-	101,033
	141,797	-	141,797	1,488	143,285
Statutory:					
Corporate tax interest refunds	20,000	-	20,000	-	20,000
Farm credit stability program	4,700	-	4,700	-	4,700
Pension liability funding	81,000	-	81,000	-	81,000
Debt servicing costs	985,000	-	985,000	-	985,000
	1,090,700	-	1,090,700	-	1,090,700
Valuation adjustments	13,000	(69,000)	(56,000)	-	(56,000)
	1,245,497	(69,000)	1,176,497	1,488	1,177,985
Net operating results	$ 6,617,118	$ 69,000	$ 6,686,118	$ (738)	$ 6,685,380
Capital investment	$ 3,938	$ -	$ 3,938	$ -	$ 3,938

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of government organization revisions in Budget '99, a major reorganization announced by the government on May 25, 1999 and other transfers of responsibility announced throughout the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Adjustments consist of a budget for pension provisions which was not included in the Estimates.

(c) Supplementary Estimates were approved on March 14, 2000. Treasury Board approval is pursuant to section 29(1.1) of the Financial Administration Act.

COMPARISON OF EXPENSES AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET

Schedule 5

In thousands

	1999-2000 Budget Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expense	Unexpended (Over Expended)
Expenses:					
Voted Expenses					
Program 1 - Ministry Support Services					
1.0.1 Provincial Treasurer's Office	$ 320	$ -	$ 320	$ 303	$ 17
1.0.2 Deputy Provincial Treasurer's Office	282	-	282	566	(284)
1.0.3 Financial and Support Services	2,110	-	2,110	2,051	59
1.0.4 Human Resource Services	390	-	390	487	(97)
1.0.5 Corporate Information Management Services					
- Operating Expense	1,844	-	1,844	2,010	(166)
- Capital Investment	575	-	575	174	401
1.0.6 Records Management	502	-	502	459	43
1.0.7 Communications	435	-	435	436	(1)
1.0.8 Standing Policy Committee on Financial Planning and Human Resources	97	-	97	86	11
1.0.10 Achievement Awards	-	738	738	790	(52)
	6,555	738	7,293	7,362	(69)
Program 2 - Revenue Collection and Rebates					
2.0.1 Tax and Revenue Administration					
- Operating Expense	13,931	-	13,931	14,571	(640)
- Capital Investment	3,038	-	3,038	1,363	1,675
	16,969	-	16,969	15,934	1,035
Program 3 - Financial Management and Planning					
3.0.1 Office of Budget and Management	7,609	750	8,359	8,035	324
3.0.2 Finance					
- Operating Expense	8,744	-	8,744	8,108	636
- Capital Investment	325	-	325	85	240
3.0.4 Investment Management	4,500	-	4,500	4,798	(298)
	21,178	750	21,928	21,026	902
Debt Servicing					
Grants for School Construction Debenture Interest Payment	101,033	-	101,033	101,036	(3)
Total Voted Expenses	$ 145,735	$ 1,488	$ 147,223	$ 145,358	$ 1,865
Program Operating Expense	$ 141,797	$ 1,488	$ 143,285	$ 143,736	$ (451)
Program Capital Investment	3,938	-	3,938	1,622	2,316
Total Voted Expenses	$ 145,735	$ 1,488	$ 147,223	$ 145,358	$ 1,865

Schedule 5 *(continued)*

In thousands

	1999-2000 Budget Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expense	Unexpended (Over Expended
Statutory Expenses					
Corporate tax interest refunds	$ 20,000	$ -	$ 20,000	$ 16,630	$ 3,370
Farm credit stability program	4,700	-	4,700	3,967	733
Small business term assistance program	-	-	-	1	(1)
Pension liability funding	81,000	-	81,000	62,502	18,498
Debt servicing costs	985,000	-	985,000	851,136	133,864
Total Statutory Expenses	$ 1,090,700	$ -	$ 1,090,700	$ 934,236	$ 156,464

	1999-2000 Budget Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Disbursements	Unexpended (Over Expended
Disbursements:					
Voted Non-Budgetary Disbursements					
Grants for School Construction Debenture Principal Repayment	$ 102,012	$ -	$ 102,012	$ 102,017	$ (5)

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of government organization revisions in Budget '99, a major reorganization announced by the government on May 25, 1999 and other transfers of responsibility announced throughout the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Supplementary Estimates were approved on March 14, 2000. Treasury Board approval is pursuant to section 29(1.1) of the Financial Administration Act.

VALUATION ADJUSTMENTS

Schedule 6

	In thousands		
	2000		1999
	Budget	Actual	Actual
Provision for employee benefits other than pensions	$ -	$ 347	$ 542
Write-off of investments	-	186	-
Provision for loans repayable from future appropriations	-	(80)	(8,236)
Provision for guarantees and indemnities	10,000	(264)	(9,387)
Provision for doubtful accounts and loans	3,000	(317)	10,261
Pension provisions	(69,000)	(94,041)	(35,260)
	$ (56,000)	$ (94,169)	$ (42,080)

SALARY AND BENEFITS DISCLOSURE

Schedule 7

	2000			1999
	Salary (1)(2)	Benefits and Allowances (1)(3)	Total	Total
Current Executives (1)				
Senior officials:				
Deputy Provincial Treasurer (3)(4)(5)	163,392	41,163	204,555	$ 177,811
Controller (4)	122,659	15,474	138,133	130,425
Other executives:				
Assistant Deputy Provincial Treasurer - Revenue (6)	115,315	22,156	137,471	122,674
Assistant Deputy Provincial Treasurer - Treasury Operations (3)(7)	116,640	28,620	145,260	124,817
Chief Investment Officer (8)	200,124	15,573	215,697	-
Assistant Deputy Provincial Treasurer - Special Projects (3)(9)	106,500	54,134	160,634	120,936
Former Executives (1)				
Senior officials:				
Deputy Provincial Treasurer (10)	11,700	203,097	214,797	169,781
Other executives:				
Chief Investment Officer (11)	45,846	22,052	67,898	176,218

(1) Prepared in accordance with Treasury Board Directive 12/98. The schedule includes salary and benefits of:

Current Executives:

This includes the salary and benefits of the last incumbent. Where the last incumbent has held the position for part of the year, his/her salary and benefits as an executive in previous positions within the government reporting entity are also included.

Former Executives:

This includes the salary and benefits of former executives who left the government during the year or who no longer hold an executive position with the government.

(2) Salary includes regular base pay, bonuses, overtime and lump sum payments.

Schedule 7 *(continued)*

(3) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees. Benefits and allowances includes the following vacation payouts: Deputy Provincial Treasurer $5,276 (1999 $11,494), Assistant Deputy Provincial Treasurer - Treasury Operations $4,921 (1999 $Nil), Assistant Deputy Provincial Treasurer - Special Projects $31,948 (1999 $Nil).

(4) Automobile provided, no dollar amount included in benefits and allowances figures.

(5) The incumbent was appointed to the position on May 1, 1999 and previously held executive positions in this and other departments.

(6) The incumbent was appointed to the position from another executive position in the Department on December 1, 1999.

(7) The incumbent was appointed to the position on December 15, 1999 and previously held an executive position in another department.

(8) The incumbent joined the government as an executive on June 14, 1999.

(9) The incumbent was appointed to the position from another executive position in the Department on October 1, 1999.

(10) Retired on April 30, 1999. Benefits include a lump sum retiring allowance of $140,400 and vacation payout of $60,436 (1999 $Nil).

(11) Retired on June 30, 1999. Benefits include a vacation payout of $18,774 (1999 $Nil).

CASH, TEMPORARY INVESTMENTS AND BANK OVERDRAFT

Schedule 8

	In thousands 2000	1999
Fixed-income securities (a):		
Corporate	$ 469,909	$ -
Deposit in Consolidated Cash Investment Trust Fund	69,915	43,636
Cash in bank and in transit	99,036	311,249
Bank overdraft	(574,022)	(598,922)
	$ 64,838	$ (244,037)
Cash and temporary investments	$ 64,838	$ -
Bank overdraft	$ -	$ 244,037

(a) Fixed-income securities have an average effective yield of 5.3% per annum. All of the securities have terms to maturity of less than one week.

ACCOUNTS AND ACCRUED INTEREST RECEIVABLE

Schedule 9

	In thousands 2000	1999
Personal income tax	$ 442,908	$ 462,467
Corporate income tax	191,029	206,633
Alberta Heritage Savings Trust Fund	159,112	68,013
Fuel tax	47,811	45,242
Lottery Fund	44,290	-
Insurance corporations tax	25,458	24,669
Alberta Treasury Branches	17,444	-
Accrued interest receivable	12,522	15,739
Financial institutions capital tax	5,464	7,998
Alberta Government Telephones Commission	4,959	66,079
Hotel room tax	4,670	3,809
Tobacco tax	3,673	3,540
Other	1,852	2,780
	961,192	906,969
Less: Allowance for doubtful accounts	1,780	4,078
	$ 959,412	$ 902,891

LOANS AND ADVANCES TO GOVERNMENT ENTITIES

Schedule 10

	In thousands 2000	1999
Alberta Social Housing Corporation	$ 407,250	$ 432,224
Agriculture Financial Services Corporation	393,136	246,179
Alberta Opportunity Company	86,457	85,747
Public Trustee	224	224
Environmental Protection and Enhancement Fund	-	40,000
	$ 887,067	$ 804,374

OTHER LOANS, ADVANCES AND INVESTMENTS

Schedule 11

	In thousands 2000	1999
Loans and advances:		
Farm Credit Stability Act	$ 185,104	$ 290,269
Pratt & Whitney Canada Ltd.	3,631	4,187
Board of Governors of the University of Alberta	2,941	3,218
Accountable advances	1,414	1,392
University of Lethbridge Students' Union	1,235	1,362
University of Calgary Students' Union	850	1,249
Implemented guarantees and indemnities	407	438
Judgement debts	235	286
Centennial Food Corporation	-	13,850
Advances under the Municipal Land Loans Act	-	1,070
University of Alberta Students' Union	-	233
Loans to municipalities	-	155
Small Business Term Assistance Act	-	4
	195,817	317,713
Less: Allowance for doubtful loans and advances	642	10,650
	195,175	307,063
Investments:		
N.A. Properties (1994) Ltd.	932	114
Alberta Municipal Financing Corporation	45	45
New Noble Services Ltd.	-	186
	977	345
	$ 196,152	$ 307,408

CAPITAL ASSETS

Schedule 12

In thousands

	Estimated Useful Life	2000 Cost	2000 Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Equipment	10 years	$ 616	$ 504	$ 112	$ 142
Computer hardware and software	5 years	24,028	18,895	5,133	4,760
		$ 24,644	$ 19,399	$ 5,245	$ 4,902

ACCOUNTS AND ACCRUED INTEREST PAYABLE

Schedule 13

In thousands

	2000	1999
Accrued interest on unmatured debt	$ 295,024	$ 323,297
Corporate income tax receipts in abeyance	188,410	103,105
Alberta Social Housing Corporation	-	2,338
Other	19,731	18,397
	$ 503,165	$ 447,137

UNMATURED DEBT

Schedule 14

In thousands

	2000				1999	
	Effective Rate (a)(b)(c) %	Modified Duration (d) years	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt:						
Floating rate and short-term fixed rate debt (e)	5.58	0.34	$ 2,133,223	$ 2,210,000	$ 3,344,403	$ 3,360,000
Fixed rate long-term debt (f)	7.46	4.14	4,582,625	4,949,000	4,690,998	5,446,000
	6.86	2.97	6,715,848	7,159,000	8,035,401	8,806,000
Unhedged U.S. dollar debt (g):						
Floating rate and short-term fixed rate debt (e)	6.94	0.18	2,972,362	3,045,000	2,363,715	2,469,000
Fixed rate long-term debt	6.25	2.41	1,219,683	1,217,000	1,913,953	2,105,000
	6.74	0.82	4,192,045	4,262,000	4,277,668	4,574,000
	6.82	2.17	10,907,893	11,421,000	12,313,069	13,380,000
Provincial corporation and regulated fund Canadian dollar debt (h)	5.82	7.19	841,583	840,000	751,049	778,000
	6.74	2.51	$ 11,749,476	$ 12,261,000	$ 13,064,118	$ 14,158,000

(a) Book value represents the amount the Department owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

(c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

(d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility. The modified duration for the performance of the debt is measured taking account of actions by management prior to the year end to arrange for redemption of a US$500 million debt issue maturing on April 3, 2000. On this basis, the modified duration for the Canadian dollar debt, unhedged US dollar debt and total debt would be 2.99, 1.15, and 2.34 respectively.

(e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.

(f) Canadian dollar fixed rate debt includes $678,696,000 (1999 $678,696,000) held by the Canada Pension Plan Investment Fund.

(g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.4535 per U.S. dollar (1999 $1.5092 per U.S. dollar). Deferred exchange gains on unhedged U.S. dollar debt amounted to $4,803,000 at March 31, 2000 (1999 deferred losses of $148,943,000). Amortization of deferred exchange losses amounted to $5,206,000 for the year ended March 31, 2000 (1999 $301,816,000).

Schedule 14 *(continued)*

(h) Provincial corporation and regulated fund Canadian dollar debt is debt borrowed by the Department on behalf of Provincial corporations and regulated funds.

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2000-01, and thereafter are as follows:

2000-01	$2,340,000,000	(includes U.S. $800,000,000 unhedged)
2001-02	$1,447,000,000	(includes U.S. $376,000,000 unhedged)
2002-03	$1,427,000,000	(includes U.S. $806,000,000 unhedged)
2003-04	$1,720,000,000	(includes U.S. $500,000,000 unhedged)
2004-05	$1,190,000,000	(includes U.S. $209,000,000 unhedged)
Thereafter	$3,662,000,000	(includes U.S. $188,000,000 unhedged)

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $611,000,000, and in one to five years is $74,000,000.

Derivative financial instruments

The Department uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Department to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Department minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2000, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

Schedule 14 *(continued)*

The following table summarizes the Department's derivative portfolio and related credit exposure:

Notional amount: represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Replacement cost: represents the cost of replacing, at current market rates, all contracts which have a positive market value.

	In thousands			
	2000		1999	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 3,409,000	$ 44,000	$ 3,175,000	$ 263,000
Cross currency interest rate swaps	998,000	7,000	1,037,000	41,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	332,000	40,000	-	-
	$ 4,739,000	$ 91,000	$ 4,212,000	$ 304,000

PENSION OBLIGATIONS

Schedule 15

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

The valuations were based upon economic assumptions, including a long-term rate of return on pension plan fund assets of 4.25 per cent over the level of price inflation for the Public Service and the Public Service Management (Closed Membership) plans, and 4.0 per cent for the other plans. The rate was based upon a long-term rate of return of 7.5 per cent and 3.25 per cent respectively for the Public Service plan, 7.25 per cent and 3.0 per cent respectively for the Public Service Management (Closed Membership) plan, 7.5 per cent and 3.5 per cent respectively for the Special Forces plan, and 7.25 per cent and 3.25 per cent respectively for the Universities Academic plan. Demographic assumptions used in the valuations reflect the experience of the plans.

The latest actuarial valuations were performed as at December 31, 1999 for the Public Service Management (Closed Membership) plan, as at December 31, 1998 for the Public Service, Special Forces and Universities Academic plans, and as at December 31, 1997 for the Members of the Legislative Assembly plan. Except for the Public Service plan, these actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2000.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

Schedule 15 *(continued)*

	In thousands	
	2000	**1999**
Obligations to pension plans for current and former employees and Members of the Legislative Assembly:		
Public Service Management (Closed Membership) Pension Plan (a)	$ 653,660	$ 656,698
Members of the Legislative Assembly Pension Plan (b)	49,177	49,119
Public Service Pension Plan (a)	-	152,730
	702,837	858,547
Obligations to pension plans for employees of organizations outside the government reporting entity:		
Universities Academic Pension Plan (c)	121,204	106,041
Special Forces Pension Plan (c)	54,895	8,389
	176,099	114,430
	$ 878,936	$ 972,977

(a) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Department.

For Public Service, the December 31, 1998 actuarial valuation disclosed an actuarial surplus for service credited prior to January 1, 1992. Accordingly, additional contributions by the Province ceased effective January 1, 1999. Current service costs are funded by employers and employees.

(b) The Department has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date. The December 31, 1997 actuarial valuation used a discount rate of 7.5 per cent and a long term inflation rate of 3.5 per cent.

(c) Under the Public Sector Pension Plans Act, the Department has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Department, and such percentages by employers and employees as will fund equally the remaining amount as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45 per cent by the Department and 27.27 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

OTHER ACCRUED LIABILITIES

Schedule 16

	In thousands	
	2000	**1999**
Guarantees and indemnities:		
Credit union assistance (a)	$ 84,372	$ 98,994
Other (Schedule 18)	5,832	6,324
Future carrying charges	3,790	3,879
	93,994	109,197
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	892,057	994,154
Settlement with Principal Group noteholders	5,000	5,000
Vacation entitlements	3,619	3,273
	$ 994,670	$ 1,111,624

(a) The Department has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions. The indemnity will expire on October 31, 2010.

GUARANTEED DEBT OF GOVERNMENT ENTITIES

Schedule 17

	In thousands				
	Held by:				
	Department of Treasury	**Alberta Heritage Savings Trust Fund**	**Others**	**Total 2000**	**Total 1999**
Debentures:					
Alberta Municipal Financing Corporation	$ -	$ 35,000	$ 3,812,555	$ 3,847,555	$ 4,171,761
Alberta Social Housing Corporation	354,648	192,852	90,058	637,558	693,728
Alberta Government Telephones Commission	-	-	150,000	150,000	200,000
	354,648	227,852	4,052,613	4,635,113	5,065,489
Deposits:					
Alberta Treasury Branches	45,439	-	9,879,187	9,924,626	9,022,310
	$ 400,087	$ 227,852	$ 13,931,800	$ 14,559,739	$ 14,087,799

Guarantees include principal borrowings only and exclude guaranteed interest, the amount of which is not determinable.

Schedule 17 *(continued)*

The net asset positions from the most recent financial statements of government entities with guaranteed liabilities are reported below.

			In thousands	
Entity	**Date**	**Position**	**2000**	**1999**
Alberta Municipal Financing Corporation	December 31, 1999	Shareholders' equity	$ 275,720	$ 318,666
Alberta Social Housing Corporation	March 31, 2000	Surplus	$ 212,365	$ 167,656
Alberta Government Telephones Commission	December 31, 1999	Equity	$ -	$ 1,064
Alberta Treasury Branches (a)	March 31, 2000	Equity	$ 272,638	$ 44,148

(a) During the 1998-99 fiscal year, Alberta Treasury Branches initiated legal actions which resulted in counterclaims aggregating $457,500,000. The eventual outcome of these claims and counterclaims is not determinable.

OTHER GUARANTEES (a)

Schedule 18

	In thousands		
	2000	**1999**	**Expiry Date**
Farm Credit Stability Act (b)	$ 191,599	$ 297,552	2011
Rural utilities loans	3,225	4,397	2009
Centre for Engineering Research Inc.	2,710	3,055	2005
University of Calgary	1,306	1,357	2016
Small Business Term Assistance Act	181	412	(c)
Banff Centre for Continuing Education	-	1,055	(c)
Export program	-	228	(c)
Other under $100,000	-	148	(c)
	199,021	308,204	
Less: Estimated liability (Schedule 16)	5,832	6,324	
	$ 193,189	$ 301,880	

(a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

No new program guarantees are being issued under the following Acts or programs: Farm Credit Stability Act, Small Business Term Assistance Act, and Export program. After October 29, 1999, no new program guarantees are being issued under the Rural Utilities Act.

(b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

(c) Loans have expired, are in the process of realization of security, or guarantees are paid out.

RELATED PARTY TRANSACTIONS Schedule 19

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

As explained in Notes 1 and 2(a), the Department is responsible for handling all departments' cash transactions. As a result, the Department engages in transactions with its own funds and agencies and with all other departments and their funds and agencies in the normal course of operations.

The Deputy Provincial Treasurer is a director of Alberta Pensions Administration Corporation and Alberta Municipal Financing Corporation. Alberta Pensions Administration Corporation is wholly owned and Alberta Municipal Financing Corporation is 70 per cent owned by the Government of Alberta, through the Department. The Deputy Provincial Treasurer did not receive any benefit during the year, in cash or in kind, as a result of these directorships.

The investment in Alberta Municipal Financing Corporation is recorded at cost (see Schedule 11) because the Corporation has the power to pay its retained earnings, which amounted to $275,656,000 at December 31, 1999 (1998 $318,602,000), to municipal and other shareholders which have borrowed money from the Corporation. During the 1999-2000 fiscal year, the Department paid $203,053,000 (1999 $215,844,000) to the Corporation by way of grants to school boards to satisfy their interest and principal repayment obligations in respect of school board debentures. These amounts are not included in the table below as school boards are not related parties. The investment in Alberta Pensions Administration Corporation is not significant, either on a cost or an equity basis.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

Schedule 19 *(continued)*

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	In thousands			
	Entities in the Ministry		**Other Entities**	
	2000	**1999**	**2000**	**1999**
Revenues:				
Transfers	$ 952,993	$ 942,150	$ 112,485	$ -
Interest	308	-	49,728	35,012
Charges for services	20,424	3,052	356	1,051
	$ 973,725	$ 945,202	$ 162,569	$ 36,063
Expenses:				
Interest	$ 4,908	$ 7,125	$ -	$ 181
Cost of services	111	92	1,145	1,152
Recovery from support service arrangements	(14)	(13)	(452)	(280)
	$ 5,005	$ 7,204	$ 693	$ 1,053
Assets:				
Accounts receivable	$ 181,953	$ 134,588	$ 44,327	$ 18
Accrued interest receivable	308	-	6,524	4,105
Loans, advances and investments	977	159	886,843	804,150
	$ 183,238	$ 134,747	$ 937,694	$ 808,273
Liabilities:				
Accounts and accrued interest payable	$ 2,800	$ 1,168	$ -	$ 2,338
Unmatured debt	62,334	84,885	-	-
	$ 65,134	$ 86,053	$ -	$ 2,338

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	In thousands			
	Entities in the Ministry		**Other Entities**	
	2000	**1999**	**2000**	**1999**
Expenses (notional):				
Accommodation	$ -	$ -	$ 2,218	$ 2,254
Legal services	-	-	1,926	1,140
	$ -	$ -	$ 4,144	$ 3,394

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

FINANCIAL STATEMENTS

MARCH 31, 2000

Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Debt Pool

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in Canadian Pooled Equity Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Heritage Foundation for Medical Research Endowment Fund as at March 31, 2000 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2000

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
BALANCE SHEET
MARCH 31,2000
(thousands)

	2000	1999
ASSETS		
Portfolio investments (Note 3)	$1,022,560	$886,783
LIABILITIES, ENDOWMENT AND RETAINED EARNINGS		
Payable to the Province of Alberta	$ 21	$ 20
Endowment (Note 6)	300,000	300,000
Retained earnings (Note 6)	722,539	586,763
	$1,022,560	$886,783

The accompanying notes and schedules are part of these financial statements.

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2000
(thousands)

	2000		1999
	Budget	Actual	Actual
Income:			
Investment income (Note 7)	$67,000	$175,421	$118,297
Expenses:			
Transfer to the Alberta Heritage Foundation for Medical Research	39,500	39,500	36,000
Administrative expenses (Note 8)	200	145	189
	39,700	39,645	36,189
Net income	$27,300	135,776	82,108
Retained earnings at beginning of year		586,763	504,655
Retained earnings at end of year		$722,539	$586,763

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2000

(thousands)

	2000	1999
Operating transactions:		
Net income	$ 135,776	$ 82,108
Non-cash items included in net income	(33,795)	(58,444)
	101,981	23,664
Decrease in receivables	-	6,874
Increase (decrease) in payables	1	(24)
Cash provided by operating transactions	101,982	30,514
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments	309,436	536,169
Purchase of investments	(423,121)	(563,228)
Cash applied to investing transactions	(113,685)	(27,059)
Increase (decrease) in cash and cash equivalents	(11,703)	3,455
Cash and cash equivalents at beginning of year	21,340	17,885
Cash and cash equivalents at end of year	$ 9,637	$ 21,340
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (Note 3)	$ 9,637	$ 21,340

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Medical Research Endowment Fund ("the Fund") operates under the authority of the Alberta Heritage Foundation for Medical Research Act, Chapter A-26, Revised Statutes of Alberta 1980.

The purpose of the Fund is to invest the endowment made to the Fund. The Fund has been managed with the objectives of providing an annual level of income for transfer to the Alberta Heritage Foundation for Medical Research while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality fixed-income securities, equities and real estate.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages and equities held either directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Income

Investment income is recorded on the accrual basis. Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposals are included in the determination of investment income.

(c) Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held either by the Fund or by pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed-income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by management

(iv) The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(v) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

Note 3 Portfolio Investments

Portfolio investments are summarized as follows:

	2000			1999		
	Cost	Fair Value	%	Cost	Fair Value	%
			(thousands)			
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 9,637	$ 9,637	0.9	$ 21,340	$ 21,340	2.2
Fixed-income securities:						
Canadian Dollar Public Debt Pool (Schedule 1)	381,162	364,372	32.4	338,471	335,504	34.5
Private Mortgage Pool (b)	20,837	23,229	2.1	22,397	25,853	2.7
Floating Rate Note Pool (c)	12,872	12,770	1.1	-	-	-
Public, directly held	-	-	-	3,760	3,761	0.3
Total deposit and fixed income securities	424,508	410,008	36.5	385,968	386,458	39.7
Canadian equities:						
Domestic Passive Equity Pooled Fund (Schedule 2)	99,623	121,911	10.9	107,540	125,365	12.8
Canadian Pooled Equity Fund (Schedule 3)	71,205	115,048	10.2	66,102	97,813	10.1
External Managers Fund (Canadian) (Schedule 4)	47,422	54,527	4.9	42,521	42,682	4.4
Private Equity Pool (d)	1,717	7,078	0.6	2,533	5,449	0.6
Foreign equities:						
External Managers Fund (United States) (Schedule 4)	132,947	144,577	12.9	17,556	31,637	3.3
External Managers Fund (Global) (Schedule 4)	105,931	132,071	11.8	105,709	122,103	12.6
EAFE Structured Equity Pool (e)	50,680	50,455	4.5	-	-	-
US Passive Equity Pooled Fund (f)	12,942	12,797	1.1	29,911	31,317	3.2
US Structured Equity Pool (g)	11,744	11,151	1.0	-	-	-
United States Equity Pooled Fund	621	600	-	573	461	-
Global Structured Equity Pooled Fund	-	-	-	106,747	107,813	11.1
Real Estate:						
Private Real Estate Pool (h)	63,220	63,059	5.6	21,623	21,638	2.2
Total equities and real estate	598,052	713,274	63.5	500,815	586,278	60.3
Total investments	$ 1,022,560	$ 1,123,282	100.0	$ 886,783	$ 972,736	100.0

The majority of the Fund's investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2000, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Debt Pool	4.0	4.1
Canadian Pooled Equity Fund	4.6	4.8
Domestic Passive Equity Pooled Fund	5.1	6.2
EAFE Structured Equity Pool	5.9	-
External Managers Fund	5.0	4.6
Floating Rate Note Pool	0.5	-
Global Structured Equity Pooled Fund	-	7.9
Private Equity Pool	6.6	6.6
Private Mortgage Pool	2.3	2.6
Private Real Estate Pool	5.1	3.0
US Passive Equity Pooled Fund	1.4	4.9
US Structured Equity Pool	8.2	-
United States Pooled Equity Fund	5.0	5.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (96.9%) and provincial bond residuals (3.1%). Risk is reduced by limiting investments in mortgage loans to include only NHA insured loans and first mortgage loans that provide diversification by property usage. As at March 31, 2000, mortgages held by the Pool have an average market yield of 7.66% per annum based on market (1999: 7.08% per annum) and the following term structure based on principal amount: under 1 year - 7% (1999: - 9%); 1 to 5 years - 28% (1999: - 33%); 5 to 10 years - 29% (1999: - 42%); 10 to 20 years - 22% (1999: - 16%) and over 20 years – 14% (1999: nil).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of with structured investments in foreign equities, domestic equities and bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less.

(d) The Private Equity Pool is in the process of orderly liquidation.

(e) The Europe, Australia and Far East (EAFE) Structured Equity Pool is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International (MSCI) EAFE Index. The Pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the Pool.

(f) The US Passive Equity Pooled Fund is a passively managed United States equity fund that provides a return equal to the total rate of return on the Standard & Poor's 500 United States Equity Index. Futures, swaps and other structured investments may be used to enhance performance of the Fund. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the pool.

(g) The US Structured Equity Pool is in the process of orderly liquidation.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real Estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.

Note 4 Investment Risk Management

Income and financial returns of the Fund are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Fund established the following long-term policy asset mix for the 1999-2000 fiscal year:

Fixed-income securities	- 25% to 50%
Equities	- 75% to 50%

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

The Fund uses index and interest rate swaps directly, or indirectly through pooled funds to enhance return and for hedging of risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. All swaps are supported by underlying securities. Leveraging is not allowed.

The following is a summary of the Fund's proportionate share of the notional value of index and interest rate swaps held directly or issued by pooled funds as at March 31,2000.

	Remaining term to maturity				
	Under 1 year	1 to 3 years	Over 3 years	Total 2000	Total 1999
				($ thousands)	
Equity index swaps:					
Canadian equities (Domestic Passive Equity Pooled Fund)	$ 59,732	$ -	$ -	$ 59,732	$ 47,928
Foreign equities (EAFE Structured Equity Pool)	50,110	-	-	50,110	-
United States equities (US Passive Equity Pooled Fund)	13,014	-	-	13,014	30,918
United States equities (US Structured Equity Pool)	10,981	-	-	10,981	-
Foreign equities (Global Structured Equity Pooled Fund)	-	-	-	-	105,957
Bond index swaps: (Canadian Dollar Public Debt Pool)	26,516	19,583	-	46,099	62,948
Interest rate swaps:				-	
Canadian Dollar Public Debt Pool	4,149	21,113	23,205	48,467	45,239
Domestic Passive Equity Pooled Fund	5,773	15,222	12,230	33,225	36,418
EAFE Structured Equity Pool	5,290	15,143	12,167	32,600	-
US Structured Equity Pool	1,078	3,087	2,480	6,645	-
US Passive Equity Pooled Fund	773	2,129	686	3,588	2,801
Floating Rate Note Pool	1,510	4,324	3,474	9,308	-
Global Structured Equity Pooled Fund	-	-	-	-	75,456
	$ 178,926	$ 80,601	$ 54,242	$ 313,769	$ 407,665

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at March 31, 2000, the Fund's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $17,818,000 (1999: $30,223,000).

A stock index futures contract is an agreement to take or make delivery of an amount of cash reflecting the difference between changes in the level of the specified stock index. As at March 31, 2000, the Fund's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $164,000 (1999: $1,248,000).

Note 6 Endowment and Retained Earnings

The endowment was received from the Alberta Heritage Savings Trust Fund on March 31, 1980. The Alberta Heritage Foundation for Medical Research Act provides that money required by the Foundation for the furtherance of its objectives shall be paid from the Fund, but no money shall be paid out of the Fund if the payment would result in the value of the assets of the Fund, at cost, being less than the endowment received by the Fund.

As at March 31, 2000, the fair value of endowment and retained earnings amounted to approximately $1,123,261,000 (1999: $972,716,000).

Note 7 Investment Income

	2000	1999
	(thousands)	
Deposits and fixed-income securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 708	$ 733
Canadian Dollar Public Debt Pool	19,506	20,006
Private Mortgage Pool	1,821	3,517
Floating Rate Note Pool	281	1,699
Public fixed-income securities, directly held	3	51,643
Private Debt Pool	-	2,461
	22,319	80,059
Equities:		
Domestic Passive Equity Pooled Fund	43,778	5,217
Canadian Pooled Equity Fund	28,234	4,449
External Managers Fund (Global)	23,149	10,977
External Managers Fund (United States)	18,574	3,342
EAFE Structured Equity Pool	16,578	-
Global Structured Equity Pooled Fund	8,536	12,611
External Managers Fund (Canadian)	3,885	209
Private Real Estate Pool	3,601	291
US Structured Equity Pool	3,083	-
US Passive Equity Pooled Fund	2,991	5,919
Private Equity Pool	584	773
United States Pooled Equity Fund	109	464
Transition Account	-	1,561
Swaps	-	(7,575)
	153,102	38,238
Investment income	$ 175,421	$ 118,297

Investment income is comprised of interest, dividends, amortization of discount or premium, swap income, security lending income and realized gains and losses, net of write-downs on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 8).

Investment income includes net gains from disposal of investments totalling $97,448,000 (1999: $75,529,000).

Note 8 Administrative Expenses

Administrative expenses include investment management, cash management and safekeeping costs and other expenses charged on a cost-recovery basis directly by Alberta Treasury. The Fund's total administrative expenses for the year, including amounts deducted directly from investment income of pooled investment funds is as follows:

	2000	1999
	(thousands)	
Direct fund expenses	$ 145	$ 189
Externally managed investment pools	704	727
Internally managed investment pools	154	108
	$ 1,003	$ 1,024
Expenses as a percentage of net assets at fair value	0.09%	0.11%

Note 9 Comparative Figures

Certain 1999 figures have been reclassified to conform to 2000 presentation.

Note 10 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC DEBT POOL

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 6,786	$ 6,786	$ 4,727	$ 4,727
Public fixed-income securities (b)				
Government of Canada direct and guaranteed	100,675	97,279	91,264	92,246
Provincial:				
Alberta, direct and guaranteed	1,443	1,440	7,710	7,992
Other, direct and guaranteed	57,696	55,693	42,226	43,757
Muncipal	3,164	3,026	3,444	3,428
Corporate	161,698	154,514	136,450	132,776
Private fixed-income securities				
Corporate	46,696	42,630	48,607	46,535
	378,158	361,368	334,428	331,461
Accrued interest and accounts receivable	12,522	12,522	8,172	8,172
Accounts payable	(9,518)	(9,518)	(4,129)	(4,129)
	3,004	3,004	4,043	4,043
Total - Alberta Heritage Foundation for Medical Research Endowment Fund	$ 381,162	$ 364,372	$ 338,471	$ 335,504
Total - Canadian Dollar Public Debt Pool (a)	$9,141,413	$9,089,649	$7,812,035	$8,112,618

(a) The Canadian Dollar Public Debt Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) As at March 31, 2000, securities held by the pool have an average effective market yield of 6.39% per annum (1999: 5.51% per annum) and the following term structure based on principal amount: under 1 year - 9% (1999: - 10%); 1 to 5 years - 35% (1999: - 37%); 5 to 10 years - 29% (1999: - 24%); 10 to 20 years - 15% (1999: - 21%); over 20 years - 12% (1999: - 8%).

Schedule 2

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 11,145	$ 11,145	$ 423	$ 423
Fixed-income securities, corporate	418	453	693	799
Floating Rate Note Pool	41,740	44,956	35,304	40,683
	53,303	56,554	36,420	41,905
Canadian public equities (b):				
Common shares and rights:				
Communications and media	3,136	5,115	4,136	6,388
Conglomerates	1,140	1,432	2,042	2,374
Consumer products	1,904	2,336	2,745	3,441
Financial services	3,364	3,351	10,638	14,555
Gold and precious minerals	2,689	1,551	4,687	3,349
Industrial products	10,493	22,489	11,387	14,915
Merchandising	2,115	1,870	2,527	3,011
Metals and minerals	2,133	1,594	3,513	2,479
Oil and gas	5,027	5,240	8,435	7,090
Paper and forest products	1,503	1,915	2,318	2,227
Pipelines	989	758	1,765	1,948
Real estate and construction	1,059	832	1,707	1,661
Transportation and environmental services	809	802	1,598	1,577
Utilities	3,755	9,868	5,478	9,140
Passive index	-	-	1,093	1,263
	40,116	59,153	64,069	75,418
Domestic Structured Equity Pooled Fund	-	-	6,726	7,699
United States Public Equities	-	-	122	140
Accrued interest and accounts receivable	6,302	6,302	407	407
Accounts payable	(98)	(98)	(204)	(204)
	6,204	6,204	203	203
Total - Alberta Heritage Foundation for Medical Research Endowment Fund	$ 99,623	$ 121,911	$ 107,540	$ 125,365
Total - Domestic Passive Equity Pooled Fund (a)	$2,107,519	$2,411,696	$1,983,918	$2,005,862

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the TSE 300 Index. To enhance investment returns with no substantial increase in risks and provide exposure to Canadian equity markets, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the Pool.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule 3

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITY FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 759	$ 759	$ 580	$ 580
Canadian public equities (b):				
Common shares and rights:				
Communications and media	6,045	8,748	3,469	6,665
Conglomerates	3,298	4,753	3,325	5,477
Consumer products	3,157	2,639	3,245	4,708
Financial services	9,082	12,900	12,789	20,841
Gold and precious minerals	3,437	2,821	4,080	4,272
Industrial products	14,441	33,916	12,225	20,067
Merchandising	885	919	1,665	2,411
Metals and minerals	4,001	3,903	3,313	3,192
Oil and gas	8,995	10,370	6,692	7,340
Paper and forest products	3,067	3,412	1,739	1,956
Pipelines	1,723	1,674	1,878	2,552
Real estate and construction	1,558	1,506	2,082	2,356
Transportation and environmental services	2,293	1,348	2,143	2,465
Utilities	6,498	23,414	6,084	11,854
Passive index	-	-	1,002	1,286
	68,480	112,323	65,731	97,442
Accrued interest and accounts receivable	3,351	3,351	608	608
Accounts payable	(1,385)	(1,385)	(817)	(817)
	1,966	1,966	(209)	(209)
Total - Alberta Heritage Foundation for Medical Research Endowment Fund	$ 71,205	$ 115,048	$ 66,102	$ 97,813
Total - Canadian Pooled Equity Fund (a)	$1,728,361	$2,501,578	$1,788,730	$2,045,408

(a) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule 4

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH ENDOWMENT FUND
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Foreign Public Equity Pools				
Europe	$ 44,048	$ 49,830	$ 34,725	$ 39,770
Pacific Basin	28,125	42,229	22,951	25,904
Multi-region	31,504	36,150	46,226	53,884
Emerging markets	2,254	3,862	1,807	2,545
	105,931	132,071	105,709	122,103
United States	132,947	144,577	17,556	31,637
Canadian Public Equity Pools				
Large capitalized companies	26,937	31,467	24,586	24,032
Small capitalized companies	20,485	23,060	17,935	18,650
	47,422	54,527	42,521	42,682
Total - Alberta Heritage Foundation For Medical Research Endowment Fund	$ 286,300	$ 331,175	$ 165,786	$ 196,422
Total - External Managers Fund (a)(b)	$5,350,708	$6,687,889	$3,537,968	$4,338,781

(a) The Fund is managed by external investment managers with expertise in Canadian small and large stock market capitalization companies, United States and Global equity markets. The global equity market consists of non-North American investments in Europe, Australia, the Far East, the Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange 300 indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at March 31, 2000.

	2000	1999
	(thousands)	
Cash and short-term securities	$ 135,273	$ 109,079
Investments		
Public equities	5,223,413	3,438,393
Fixed-income securities	519	1,247
Accrued interest and accounts receivable	57,514	27,890
Accounts payable	(66,011)	(38,641)
Total - External Managers Fund	$5,350,708	$3,537,968

ALBERTA HERITAGE SAVINGS TRUST FUND
FINANCIAL STATEMENTS

March 31, 2000

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 2000 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2000

ALBERTA HERITAGE SAVINGS TRUST FUND
BALANCE SHEET
MARCH 31, 2000
(thousands)

	2000	1999
ASSETS		
Portfolio investments :		
Endowment Portfolio (Schedule 1)	$ 5,356,412	$ 3,906,359
Transition Portfolio (Schedule 2)	6,919,980	8,053,014
Accrued interest and accounts receivable	142,114	138,153
	$12,418,506	$12,097,526
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 3,073	$ 3,195
Due to the General Revenue Fund	159,114	68,012
	162,187	71,207
Fund equity (Note 5):		
Endowment Portfolio	5,248,649	3,818,649
Transition Portfolio	7,007,670	8,207,670
	12,256,319	12,026,319
	$12,418,506	$12,097,526

The accompanying notes and schedules are part of these financial statements.

ALBERTA HERITAGE SAVINGS TRUST FUND
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2000
(thousands)

	2000		1999
	Budget	Actual	Actual
Income:			
Investment income:			
Endowment Portfolio	$280,000	$ 679,470	$ 270,545
Transition Portfolio	516,900	491,314	663,117
	796,900	1,170,784	933,662
Expenses:			
Administrative expenses (Note 7)	2,300	1,670	1,651
Net income (Note 6)	794,600	1,169,114	932,011
Transfers:			
Transfers to the General Revenue Fund	794,600	939,114	932,011
Amount retained (Note 5)	-	230,000	-
Net increase in fund equity	$ -	230,000	-
Fund equity at beginning of year		12,026,319	12,026,319
Fund equity at end of year		$12,256,319	$12,026,319

ALBERTA HERITAGE SAVINGS TRUST FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2000
(thousands)

	2000	1999
Operating transactions:		
Net income	$1,169,114	$ 932,011
Non-cash items included in net income	(177,188)	(82,755)
	991,926	849,256
Decrease (increase) in receivables	(3,961)	36,639
Decrease in payables	(122)	(81,406)
Cash provided by operating transactions	987,843	804,489
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments	6,419,163	7,817,615
Purchase of investments	(6,538,754)	(7,603,587)
Cash provided by (applied to) investing transactions	(119,591)	214,028
Transfers:		
Transfers to the General Revenue Fund	(939,114)	(932,011)
Increase (decrease) in due to the General Revenue Fund	91,102	(130,334)
Cash applied to transfers	(848,012)	(1,062,345)
Increase (decrease) in cash and cash equivalents	20,240	(43,828)
Cash and cash equivalents at beginning of year	167,514	211,342
Cash and cash equivalents at end of year	$ 187,754	$ 167,514
Consisting of Deposits in the Consolidated Cash Investment Trust Fund:		
Endowment Portfolio (Schedule 1)	$ 103,421	$ 122,504
Transition Portfolio (Schedule 2)	84,333	45,010
	$ 187,754	$ 167,514

ALBERTA HERITAGE SAVINGS TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Authority and Mission

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act (the Act), Chapter A-27.01, Revised Statutes of Alberta 1980, as amended.

The preamble to the Act describes the mission of the Fund as follows:

"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

Investments of the Fund are held in an Endowment Portfolio and a Transition Portfolio. The Endowment Portfolio has the objective of maximizing long-term financial returns. The Transition Portfolio has the objective of providing income support to the Government's consolidated fiscal plan over the short term to medium term. Commencing in 1996-97, the Act provides that all assets in the Transition Portfolio must be transferred to the Endowment Portfolio by December 31, 2005.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio investments

Fixed-income securities, mortgages, equities, and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments in loans are recorded at cost less any unearned revenue and allowance for credit loss. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a specific provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment in fixed-income securities, mortgages, equities and real estate that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability. When a loan becomes impaired, recognition of interest income in accordance with the terms of the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the loan's book value.

Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposal of investments are included in the determination of investment income.

(c) Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held either directly by the Fund or by pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Mortgages, provincial corporation debentures and private fixed-income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

(iii) The fair value of private equities is estimated by management.

(iv) Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

(v) Fair value of loans are not reported due to there being no organized financial market for the instruments and it is not practical within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

(vi) The fair value of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(vii) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

Note 3 Risk Management

Income and financial returns of the Fund are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

The *Standing Committee on the Alberta Heritage Savings Trust Fund* reviews and approves the business plan of the Fund. In order to earn an optimal financial return at an acceptable level of risk, the 1999-2000 business plan limits investments of the Transition Portfolio to include only fixed-income securities other than securities transferred from the previous structure and proposes the following asset mix policy for the Endowment Portfolio:

Fixed income securities	30% to 50%
Equities	70% to 50%

Risk is reduced through asset class diversification, diversification within each asset class, quality and duration constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate. Controls are in place respecting the use of derivatives (see Note 4). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 4).

Note 4 Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

The Fund uses index and interest rate swaps held directly, or indirectly through pooled funds, to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. All swaps are supported by underlying securities. Leveraging is not allowed.

The following is a summary of the Fund's proportionate share of the notional amount of index swaps and interest rate swaps held directly or issued by pooled funds at March 31, 2000:

	Remaining term to Maturity				
	Under 1 year	1 to 3 years	Over 3 years	2000 Total	1999 Total
				(thousands)	
Equity index swaps:					
United States equities (US Passive Equity Pooled Fund)	$ 233,219	$ -	$ -	$ 233,219	$ 168,296
Foreign equities (EAFE Structured Equity Pool)	184,347	-	-	184,347	-
Canadian equities, directly held	59,325	-	-	59,325	142,069
United States equities (US Structured Equity Pool)	30,285	-	-	30,285	-
Foreign equities (Global Structured Equity Pooled Fund)	-	-	-	-	292,227
Bond index swaps: (Canadian Dollar Public Debt Pool)	128,977	95,255	-	224,232	250,319
Interest rate swaps:				-	
Canadian Dollar Public Debt Pool	20,180	102,695	112,873	235,748	179,896
EAFE Structured Equity Pool	19,462	55,711	44,760	119,933	-
Directly held	-	109,614	-	109,614	134,614
Floating Rate Note Pool	12,760	36,523	29,342	78,625	138,048
US Passive Equity Pooled Fund	13,861	38,155	12,296	64,312	15,247
US Structured Equity Pool	2,974	8,514	6,840	18,328	-
Global Structured Equity Pooled Fund	-	-	-	-	208,107
Total	$ 705,390	$ 446,467	$ 206,111	$ 1,357,968	$ 1,528,823

The fair value of swaps have been included in the determination of the fair value of the respective pooled investment funds.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at March 31, 2000, the Fund's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $106,675,000 (1999: $145,486,000).

A stock index futures contract is an agreement to take or make delivery of an amount of cash reflecting the difference between changes in the level of the specified stock index. As at March 31, 2000, the Fund's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $1,139,000 (1999: $5,062,000).

Note 5 Fund Equity

By no later than 2005, all assets will be transferred from the Transition Fund to the Endowment Fund. Annually, commencing in 1996-97, a minimum of $1.2 billion of assets, at cost, is transferred. Commencing in 2000-2001, the Lieutenant Governor in Council has approved the transfer of assets with a book value of not less than $1.2 billion and not more than $2.4 billion.

Section 8 (2) of the *Alberta Heritage Savings Trust Fund Act (the Act)* states that the net income of the Heritage Fund less any amount retained in the Fund to maintain its value shall be transferred to the General Revenue Fund annually in a manner determined by the Provincial Treasurer. Section 11(5) of the Act states that for fiscal years subsequent to 1999 and until the accumulated debt is eliminated in accordance with the *Fiscal Responsibility Act*, the Provincial Treasurer is not required to retain any income in the Heritage Fund to maintain its value, but may retain such amounts as the Provincial Treasurer considers advisable. During the year, the Fund obtained approval to retain an amount of $230 million in the Endowment Portfolio.

Note 6 Net Income

	Endowment Portfolio	Transition Portfolio	2000 Total	1999 Total
		(thousands)		(Note 8)
Deposit and fixed-income securities:				
Deposits in the Consolidated Cash Investment Trust Fund	$ 4,577	$ 2,772	$ 7,349	$ 8,931
Public fixed-income securities, directly held				
Government of Canada, direct and guaranteed	3,160	108,085	111,245	168,850
Alberta, direct and guarantedd	-	8,566	8,566	12,644
Other provincial, direct and guaranteed	1,591	125,060	126,651	173,545
Municipal	-	4,370	4,370	4,336
Corporate	99	151,425	151,524	160,647
Security lending	-	386	386	397
Provincial corporation debentures	-	73,204	73,204	103,388
Loans	-	4,643	4,643	20,095
Canadian Dollar Public Debt Pool	89,771	-	89,771	87,826
Private Mortgage Pool	21,074	-	21,074	16,406
Floating Rate Note Pool	11,461	-	11,461	8,318
Private Debt Pool	-	-	-	4,707
	131,733	478,511	610,244	770,090
Equities:				
Public Canadian equities, directly held	166,258	12,783	179,041	53,193
External Managers Fund (Global)	143,713	-	143,713	44,474
External Managers Fund (United States)	77,300	-	77,300	16,051
EAFE Structured Equity Pool	55,467		55,467	-
US Passive Equity Pooled Fund	30,770	-	30,770	28,038
Global Structured Equity Pooled Fund	23,541	-	23,541	36,382
Private Real Estate Pool	20,232		20,232	4,378
Canadian Pooled Equity Fund	19,200	-	19,200	598
External Managers Fund (Canadian)	17,376	-	17,376	3,335
US Structured Equity Pool	6,152		6,152	-
Private Equity Pool	1,209	-	1,209	808
Security lending	121	20	141	82
Private Equity Pool (98)	(49)	-	(49)	(14)
United States Pooled Equity Fund	(177)	-	(177)	831
Swaps, direct	(13,376)	-	(13,376)	(24,584)
	547,737	12,803	560,540	163,572
Investment income	679,470	491,314	1,170,784	933,662
Administrative expenses (Note 7)	(733)	(937)	(1,670)	(1,651)
Net Income	$ 678,737	$ 490,377	$1,169,114	$932,011

Investment income is comprised of interest, dividends, amortization of discount and premiums, swap income, security lending income and realized gains and losses, net of write-downs, on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 7).

Investment income from the Endowment portfolio and the Transition portfolio includes net gains from disposal of investments totalling $405,831,000 (1999: $83,614,000) and $4,922,000 (1999: $70,774,000) respectively.

Note 7 Administrative Expenses

Administrative expenses includes investment management, cash management, safekeeping costs and other expenses charged on a cost-recovery basis directly from the Department of Treasury. The Fund's total administrative expense for the year, including amounts deducted directly from investment income of pooled funds is as follows:

	2000	1999
	(thousands)	
Direct fund expenses, (Note 6)	$ 1,670	$ 1,651
Externally managed investment pools	3,982	2,896
Internally managed investment pools	763	493
Total	$ 6,415	$ 5,040
Expenses as a percentage of net assets at fair value	0.05%	0.04%

Note 8 Comparative Figures

Certain 1999 figures have been reclassified to conform to 2000 presentation.

Note 9 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

ALBERTA HERITAGE SAVINGS TRUST FUND
SCHEDULE OF ENDOWMENT PORTFOLIO INVESTMENTS

MARCH 31, 2000
(thousands)

	2000			1999		
	Cost	Fair Value	%	Cost	Fair Value	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 103,421	$ 103,421	1.7	$ 122,504	$ 122,504	2.8
Fixed-income securities:						
Public, directly held (b)						
Government of Canada, direct and guaranteed	26,560	25,560	0.4	63,772	65,439	1.5
Other provincial, direct and guaranteed	-	-	-	44,830	46,059	1.1
Canadian Dollar Public Debt Pool (c)	1,848,383	1,772,350	29.7	1,350,689	1,334,164	30.8
Private Mortgage Pool (d)	292,952	279,892	4.7	275,243	274,250	6.3
Floating Rate Note Pool (e)	108,206	107,864	1.8	181,982	182,865	4.2
Total deposit and fixed-income securities (n)	2,379,522	2,289,087	38.3	2,039,020	2,025,281	46.7
Canadian equities:						
Public, directly held (f)	464,534	1,001,034	16.8	279,726	651,008	15.0
External Managers Fund (Canadian) (g)	227,143	267,400	4.5	210,681	215,144	5.0
Canadian Pooled Equity Fund (h)	84,818	101,505	1.7	40,598	41,760	1.0
Private Equity Pool (98) (i)	32,022	32,033	0.6	14,502	14,502	0.3
Private Equity Pool (i)	12,489	14,645	0.3	14,177	11,273	0.3
Total Canadian equities (n)	821,006	1,416,617	23.9	559,684	933,687	21.6
Foreign equities:						
External Managers Fund (Global) (g)	706,668	814,323	13.6	525,561	564,157	13.0
External Managers Fund (United States) (g)	639,860	653,208	10.9	143,616	171,535	4.0
US Passive Equity Pooled Fund (j)	236,847	229,334	3.8	170,381	170,466	3.9
EAFE Structured Equity Pool (k)	190,420	185,616	3.1	-	-	-
US Structured Equity Pool (l)	33,173	30,754	0.5	-	-	-
United States Pooled Equity Fund	2,738	2,179	-	3,139	1,675	-
Global Structured Equity Pooled Fund	-	-	-	303,261	297,346	6.9
Total foreign equities	1,809,706	1,915,414	31.9	1,145,958	1,205,179	27.8
Real estate (m)	346,178	353,699	5.9	161,697	170,146	3.9
Total equities and real estate (n)	2,976,890	3,685,730	61.7	1,867,339	2,309,012	53.3
Total investments (o)	$5,356,412	$5,974,817	100.0	$3,906,359	$4,334,293	100.0

The majority of the Endowment portfolio investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2000, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Debt Pool	19.5	16.4
Canadian Pooled Equity Fund	4.1	2.0
External Managers Fund	25.9	21.9
EAFE Structured Equity Pool	21.7	-
Floating Rate Note Pool	4.5	7.5
Global Structured Equity Pooled Fund	-	21.7
Private Equity Pool	13.6	13.6
Private Equity Pool (98)	100.0	100.0
Private Mortgage Pool	28.0	27.1
Private Real Estate Pool	28.6	23.4
US Passive Equity Pooled Fund	25.0	26.9
US Structured Equity Pool	22.5	-
United States Pooled Equity Fund	18.0	18.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of five years.

(b) Public fixed-income instruments are managed with the objective of providing competitive returns over a four-year period while maintaining appropriate security of the Fund's capital. Return is maximized within the risk constraints on the portfolio by management of portfolio duration and issuer mix. As at March 31, 2000, the fixed-income security held by the Fund has an average effective market yield of 6.40% per annum and matures of June 1, 2006.

(c) The Canadian Dollar Public Debt Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The excess return is expected to be achieved through management of portfolio duration and sector rotation. The portfolio is comprised of high quality Canadian fixed-income instruments and debt related derivatives. As at March 31, 2000, securities held by the Pool have an average effective market yield of 6.39% per annum (1999: 5.51% per annum) and the following term structure based on principal amount: under 1 year – 9% (1999: - 10%); 1 to 5 years – 35% (1999: - 37%); 5 to 10 years – 29% (1999: - 24%); 10 to 20 years – 15% (1999: - 21%); over 20 years – 12% (1999: - 8%).

The following is a summary of the Alberta Heritage Savings Trust Fund's investment in the Canadian Dollar Public Debt Pool as at March 31, 2000:

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
		(thousands)		
Deposit in the Consolidated Cash Investment Trust Fund	$ 33,010	$ 33,010	$ 18,797	$ 18,797
Public Fixed-income securities:				
Government of Canada, direct and guaranteed	488,167	473,175	364,229	366,823
Province of Alberta, direct and guaranteed	6,998	7,003	30,769	31,780
Other provinces, direct and guaranteed	279,765	270,899	168,520	174,009
Municipal	15,342	14,718	13,746	13,632
Corporate	784,064	751,579	544,561	527,995
Private Fixed-income securities				
Corporate	226,427	207,356	193,991	185,052
Total deposit and fixed-income securities	1,833,773	1,757,740	1,334,613	1,318,088
Accounts receivable and accrued investment income	60,908	60,908	32,496	32,496
Accounts payable	(46,298)	(46,298)	(16,420)	(16,420)
	14,610	14,610	16,076	16,076
Total - Alberta Heritage Savings Trust Fund	$1,848,383	$1,772,350	$1,350,689	$1,334,164
Total - Canadian Dollar Public Debt Pool	$9,141,413	$9,089,649	$7,812,035	$8,112,618

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer The portfolio is comprised primarily of high quality commercial mortgage loans (96.9%) and provincial bond residuals (3.1%). Risk is reduced by limiting investments to include NHA insured loans and first mortgage loans that provide diversification by property usage. As at March 31, 2000, securities held by the Pool have an average effective market yield of 7.66% per annum (1999: 7.08% per annum) and the following term structure based on principal amount: under 1 year - 7% (1999: - 9%); 1 to 5 years - 28% (1999: - 33%); 5 to 10 years - 29% (1999: - 42%); 10 to 20 years - 22% (1999: - 16%) and over 20 years – 14% (1999: nil).

(e) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and domestic bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less.

(f) Competitive returns and capital preservation are expected from investments in Canadian public equities. Risk is reduced by prudent security selection and management of holdings in various industrial sectors. As at March 31, 2000, equity securities with a fair value of $119,645,000 (1999: $99,820,000) were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of $126,975,000 (1999: $109,310,000). During the term of the loan, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

The following summary of directly held Canadian public equities is listed by industrial classifications used by the Toronto Stock Exchange:

	2000			1999		
	Cost	Fair Value	%	Cost	Fair Value	%
	(thousands)					
Communications and media	$ 26,774	$ 80,221	8.0	$ 16,269	$ 73,078	11.2
Conglomerates	16,295	34,028	3.4	14,472	44,367	6.8
Consumer products	17,529	19,636	2.0	5,176	26,722	4.1
Financial services	75,620	92,059	9.2	4,657	20,571	3.2
Gold and precious minerals	19,320	19,266	1.9	21,334	28,987	4.5
Industrial products	123,401	368,339	36.8	49,351	135,254	20.8
Merchandising	10,273	14,570	1.5	11,543	39,900	6.1
Metals and minerals	24,248	40,943	4.1	31,479	43,202	6.6
Oil and gas	54,064	81,383	8.1	36,909	62,720	9.6
Paper and forest products	12,432	16,356	1.6	12,005	15,707	2.4
Pipelines	15,482	20,423	2.0	22,748	42,891	6.6
Real estate	846	1,967	0.2	2,667	7,873	1.2
Transportation and environmental services	17,924	13,704	1.4	14,027	16,602	2.6
Utilities	50,326	198,139	19.8	37,089	93,134	14.3
	$ 464,534	$ 1,001,034	100.0	$ 279,726	$ 651,008	100.0

The following is the fair value of the directly held Canadian public equities after taking into account the effect of the bank index swaps in the financial services sector:

	2000			1999		
	Fair Value	%	TSE 300 %	Fair Value	%	TSE 300 %
	(thousands)					
Communications and media	$ 80,221	7.6	7.8	$ 73,078	9.2	8.1
Conglomerates	34,028	3.2	2.3	44,367	5.6	3.2
Consumer products	19,636	1.8	2.6	26,722	3.4	4.1
Financial services	151,384	14.3	13.3	162,640	20.5	21.2
Gold and precious minerals	19,266	1.8	2.4	28,987	3.7	4.3
Industrial products	368,339	34.7	36.0	135,254	17.1	20.6
Merchandising	14,570	1.4	2.1	39,900	5.0	3.4
Metals and minerals	40,943	3.9	2.7	43,202	5.4	3.6
Oil and gas	81,383	7.7	7.6	62,720	7.9	8.9
Paper and forest products	16,356	1.5	2.0	15,707	2.0	2.3
Pipelines	20,423	1.9	1.5	42,891	5.4	3.1
Real estate	1,967	0.2	0.8	7,873	1.0	1.8
Transportation and environmental services	13,704	1.3	1.3	16,602	2.1	2.3
Utilities	198,139	18.7	17.6	93,134	11.7	13.1
	$1,060,359	100.0	100.0	$ 793,077	100.0	100.0

(g) The Fund is managed by external managers with expertise in Canadian small and large stock market capitalization companies, United States, and global equity markets. The global equity market consists of non-North American investments in Europe, Australia, the Far East, Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager style and market diversification. The following is a summary of the Alberta Heritage Fund's share of investment in the External Managers Fund by geographic region, as at March 31, 2000:

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
	(thousands)			
Foreign Public Equity Pools:				
Multi Region	$ 271,368	$ 294,185	$ 206,656	$ 218,518
Europe	268,064	271,861	204,448	201,303
Pacific Basin	154,421	229,262	104,299	132,253
Emerging Markets	12,815	19,015	10,158	12,083
	706,668	814,323	525,561	564,157
United States	639,860	653,208	143,616	171,535
Canadian				
Large capitalized companies	126,095	152,743	114,621	116,432
Small capitalized companies	101,048	114,657	96,060	98,712
	227,143	267,400	210,681	215,144
Total - Alberta Heritage Savings Trust Fund	$1,573,671	$1,734,931	$ 879,858	$ 950,836
Total - External Managers Fund	$5,350,708	$6,687,889	$3,537,968	$4,338,781

The following is a summary of assets and liabilities of the External Managers Fund as at March 31, 2000:

	2000	1999
	(thousands)	
Cash and short-term securities	$ 135,273	$ 109,079
Investments - Public equities	5,223,413	3,438,393
- Fixed-income securites	519	1,247
Accounts receivable and accrued investment income	57,514	27,890
Accounts payable	(66,011)	(38,641)
Total -External Managers Fund	$5,350,708	$3,537,968

(h) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange 300 Index while maintaining maximum preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(i) The Private Equity Pool (98) is managed with the objective of providing investment returns higher than attainable from the TSE 300 Index over a five to ten year period. The portfolio is comprised of investments in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool. The Private Equity Pool is in the process of orderly liquidation.

(j) The US Passive Equity Pooled Fund is a passively managed United States equity fund that provides a return equal to the total rate of the Standard & Poor's 500 United States Equity Index. Futures, swaps and other structured investments may be used to enhance performance of the fund. The Pool's investment in units of the Floating Rate Note Pool (see Schedule 1e) are used as the underlying securities to support the index swaps of the pool.

(k) The EAFE (Europe, Australia and Far East) Structured Equity Pool is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International (MSCI) EAFE Index. The Pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Schedule 1e) are used as the underlying securities to support the index swaps of the pool.

(l) The US Structured Equity Pool is in the process of orderly liquidation.

(m) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high return.

(n) Deposits and Floating Rate Note Pool units are used as the underlying securities to support the bank index swaps issued by the Fund (see Note 4). If the effect of the swaps were reflected in this schedule, deposit and fixed-income securities would be reduced by $59,325,000 (1999: $142,069,000) and Canadian equities increased by a corresponding amount. The resulting assets mix percentage would be 37.3% fixed income and 62.7% equities.

(o) See Schedule 2, note (f).

Schedule 2

ALBERTA HERITAGE SAVINGS TRUST FUND
SCHEDULE OF TRANSITION PORTFOLIO INVESTMENTS

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 84,333	$ 84,333	$ 45,010	$ 45,010
Fixed-income securities (b):				
Public, directly held				
Government of Canada, direct and guaranteed	1,521,641	1,494,506	2,189,957	2,222,780
Provincial:				
Alberta, direct and guaranteed	98,074	96,999	132,129	134,188
Other, direct and guaranteed	1,632,732	1,609,316	1,810,526	1,851,512
Municipal	70,765	70,783	71,888	75,165
Corporate	2,655,354	2,632,495	2,858,237	2,894,530
Private fixed-income securities				
Corporate	191,712	184,399	-	-
Total deposit and fixed-income securities	6,254,611	6,172,831	7,107,747	7,223,185
Provincial corporation debentures (c):				
Agriculture Financial Services Corporation	284,702	292,181	401,212	426,483
Alberta Social Housing Corporation	192,852	263,914	230,558	326,252
Alberta Municipal Financing Corporation	35,000	35,989	140,000	149,317
Total Provincial corporation debentures	512,554	592,084	771,770	902,052
Total deposit, debentures and fixed-income securities	6,767,165	$6,764,915	7,879,517	$8,125,237
Canadian equities:				
Public, directly held:				
TransCanada Pipelines Limited	53,966	$ 35,304	53,966	$ 63,812
NOVA Chemical Ltd.	-	-	11,714	16,077
Total Canadian equities	53,966	$ 35,304	65,680	$ 79,889
Loans:				
Ridley Grain Ltd. (d)	93,500		93,500	
Vencap Acquisition Corporation (e)	5,349		14,317	
Total loans	98,849		107,817	
Total investments (f)	$6,919,980		$8,053,014	

(a) See Schedule 1, Note (a).

(b) Fixed-income instruments are managed with the objective of providing a market rate of return higher than the market cost of the Canadian dollar portion of the Province's debt portfolio on an annual basis. Any excess return is expected to be achieved through management of portfolio duration as well as through issuer mix. As at March 31, 2000, fixed-income securities held have an average effective market yield of 5.81% per annum for securities maturing within a year (1999: 4.91% per annum), and 6.36% per annum for securities maturing between 1 and 35 years (1999: 5.30% per annum). As at March 31, 2000, the securities have the following term structure based on principal amount: under 1 year - 16% (1999: - 10%); 1 to 5 years - 64% (1999: - 56%); 5 to 10 years - 19% (1999: - 33%); over 10 years -1% (1999: - 1%). As at March 31, 2000, securities with a fair value of $492,316,000 (1999: $857,691,000) were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of $522,480,000 (1999: $939,235,000). During the term of the loans, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

(c) As at March 31, 2000, Provincial corporation debentures have an average effective market yield of 8.02% per annum (1999: 7.52% per annum). The maturity profile based on expected repayments is as follows: under 1 year $262,167,000; 1 to 5 years $162,047,000; and over 5 years $88,340,000. Interest rates on Alberta Municipal Finance Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a five-year period only and repayment is by either semi-annual or annual instalments of the principal sum over the life of the debenture. The Province, through the General Revenue Fund, borrows funds in the market and lends to the Agriculture Financial Services Corporation (AFSC) and lends or grants funds to Alberta Social Housing Corporation (ASHC). AFSC and ASHC will use the funds to repay the debentures held by the Transition Portfolio generally on the dates when the interest rates on these debentures are reset (every five years). During the year, debentures amounting to $96,024,000 (1999: $350,725,000) were redeemed prior to maturity.

The Fund's investment in provincial corporation debentures is summarized below:

	2000	1999
	(thousands)	
Balance at beginning of year	$ 771,770	$ 1,199,321
Disposals, repayments and redemptions:		
Agriculture Financial Services Corporation	(116,510)	(175,688)
Alberta Opportunity Company	(105,000)	(5,977)
Alberta Social Housing Corporation	(37,706)	(245,886)
Balance at end of year	$ 512,554	$ 771,770

Fair values of Provincial corporation debentures are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the debentures are sold, there will be a limited pool of these securities trading in the market; that the debentures would be new to the market and are not direct issues of the Province; a premium for the periodic interest reset feature where applicable; and a factor to reflect the blended payment structure of the debenture.

(d) Under the terms of the loans to Ridley Grain, 11% Participating First Mortgage Bonds due July 31, 2015, interest is compounded semi-annually and payable annually to the extent of available cash flow and any shortfall is to be deferred and capitalized. Interest due for the period August 1, 1998 to July 31, 1999 amounted to $15,419,649 of which $3,221,358 was received in November 1999 based on available cash flow. The interest shortfall totalling $12,198,291 is not recognized in investment income. As at March 31, 2000, the principal, including accumulated unpaid interest repayable on or before July 31, 2015 amounted to $55,125,291 (1999: $42,927,000).

Grain throughput volumes are the main determinant of profitability of the grain terminal and its ability to service its loan from the province, and therefore the value is sensitive to changes in grain throughput volumes. Grain throughputs are difficult to forecast because they are dependent in part upon port allocation decisions of the Canadian Wheat Board and other factors such as crop size and composition. Accordingly, due to the uncertainty of the grain throughput volumes, income from the participating bonds is recognized when received.

(e) In October 1995, the Province agreed to terms of an Arrangement Agreement with Vencap Equities Alberta Ltd. (Vencap) and Vencap Acquisition Corporation, an indirect wholly owned subsidiary of Onex Corporation. Pursuant to this Agreement, the province sold its $199,989,000 Vencap loan and 4 million Vencap share options for cash of $166 million and non-interest bearing payments totalling $63,988,000 rescheduled on amended terms as follows:

- $11,400,000 due on January 1, 2001 was repaid on October 1, 1999 for an amount equal to $10,392,855 representing the discounted present value of the January 1, 2001 instalment calculated in accordance with the agreement.
- $52,588,000 due on July 2046 bears no interest. The carrying value of the loan has been adjusted to an amount equal to the present value of anticipated loan repayments. The discount is amortized to investment income over the remaining term of the loan on a straight-line basis.

(f) During the year, $1,200,000,000 was transferred from the Transition Portfolio to the Endowment Portfolio in accordance with the investment provisions of the *Alberta Heritage Savings Trust Fund Act*.

ALBERTA HERITAGE SCHOLARSHIP FUND

FINANCIAL STATEMENTS

MARCH 31, 2000

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Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Heritage Scholarship Fund as at March 31, 2000 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 18, 2000

ALBERTA HERITAGE SCHOLARHSIP FUND
BALANCE SHEET

MARCH 31,2000
(thousands)

	2000	1999
ASSETS		
Portfolio investments (Note 3)	$315,306	$275,876
LIABILITIES, ENDOWMENT AND RETAINED EARNINGS		
Payable to the Province of Alberta	$ 12	$ 7
Endowment (Note 6)	100,000	100,000
Retained earnings (Note 6)	215,294	175,869
	$315,306	$275,876

The accompanying notes and schedules are part of these financial statements.

ALBERTA HERITAGE SCHOLARSHIP FUND
STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2000
(thousands)

	2000		1999
	Budget	Actual	Actual
Income:			
Investment income (Note 7)	$20,500	$ 56,516	$ 38,951
Contributions from Province of Alberta	200	200	200
Other contributions	100	44	180
	20,800	56,760	39,331
Expenses:			
Scholarships	17,000	17,234	12,480
Administrative expenses (Note 8)	135	101	125
	17,135	17,335	12,605
Net income	$ 3,665	39,425	26,726
Retained earnings at beginning of year		175,869	149,143
Retained earnings at end of year		$215,294	$175,869

ALBERTA HERITAGE SCHOLARSHIP FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2000

(thousands)

	2000	1999
Operating transactions:		
Net income	$ 39,425	$ 26,726
Non-cash items included in net income	(13,364)	(18,493)
	26,061	8,233
Decrease in receivables	-	1,162
Increase (decrease) in payables	5	(126)
Cash provided by operating transactions	26,066	9,269
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments	124,041	143,462
Purchase of investments	(151,377)	(156,048)
Cash applied to investing transactions	(27,336)	(12,586)
Decrease in cash and cash equivalents	(1,270)	(3,317)
Cash and cash equivalents at beginning of year	5,220	8,537
Cash and cash equivalents at end of year	$ 3,950	$ 5,220
Consisting of Deposit in the Consolidated Cash Investment Trust Fund (Note 3)	$ 3,950	$ 5,220

ALBERTA HERITAGE SCHOLARSHIP FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Authority and Purpose

The Alberta Heritage Scholarship Fund ("the Fund") operates under the authority of the Alberta Heritage Scholarship Act, Chapter A-27.1, Statutes of Alberta 1981.

The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for scholarships while preserving the capital of the endowment over the long term. The portfolio is comprised of high quality fixed-income securities, equities and real estate.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages and equities held either directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Income

Investment income is recorded on the accrual basis. Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposals are included in the determination of investment income.

(c) Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of investment income.

(d) Investment Valuation

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held either by the Fund or by pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed-income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by management.

(iv) The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(v) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

Note 3 Portfolio Investments

Portfolio investments are summarized as follows:

	2000			1999		
	Cost	Fair Value	%	Cost	Fair Value	%
	(thousands)					
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 3,950	$ 3,950	1.2	$ 5,220	$ 5,220	1.7
Fixed-income securities:						
Canadian Dollar Public Debt Pool (Schedule 1)	116,648	111,732	32.3	104,349	103,554	33.9
Private Mortgage Pool (b)	6,745	7,627	2.2	7,257	8,488	2.8
Floating Rate Note Pool (c)	3,904	3,872	1.1	-	-	-
Public, directly held	-	-	-	1,223	1,223	0.4
Total deposit and fixed income securities	131,247	127,181	36.8	118,049	118,485	38.8
Canadian equities:						
Canadian Pooled Equity Fund (Schedule 2)	21,363	34,756	10.1	22,801	33,598	11.0
Domestic Passive Equity Pooled Fund (Schedule 3)	26,430	34,210	9.9	26,100	32,949	10.8
External Managers Fund (Canadian) (Schedule 4)	17,602	20,177	5.8	17,339	17,534	5.7
Private Equity Pool (d)	659	2,328	0.7	927	1,792	0.6
Foreign equities:						
External Managers Fund (United States) (Schedule 4)	41,742	43,173	12.5	5,640	10,041	3.3
External Managers Fund (Global) (Schedule 4)	33,216	41,291	11.9	33,428	38,753	12.7
EAFE Structured Equity Pool (e)	15,201	15,102	4.4	-	-	-
US Passive Equity Pooled Fund (f)	4,246	4,199	1.2	9,493	9,939	3.3
US Structured Equity Pool (g)	3,869	3,665	1.1	-	-	-
United States Equity Pooled Fund	194	190	-	178	142	-
Global Structured Equity Pooled Fund	-	-	-	35,188	35,435	11.6
Real Estate:						
Private Real Estate Pool (h)	19,537	19,490	5.6	6,733	6,737	2.2
Total equities and real estate	184,059	218,581	63.2	157,827	186,920	61.2
Total investments	$ 315,306	$ 345,762	100.0	$ 275,876	$ 305,405	100.0

The majority of the Fund's investments are held in pooled investment funds established and administered by the Provincial Treasurer. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2000, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Debt Pool	1.2	1.3
Canadian Pooled Equity Fund	1.4	1.6
Domestic Passive Equity Pooled Fund	1.4	1.6
EAFE Structured Equity Pool	1.8	-
External Managers Fund	1.6	1.5
Floating Rate Note Pool	0.2	-
Global Structured Equity Pooled Fund	-	2.6
Private Equity Pool	2.2	2.2
Private Mortgage Pool	0.8	0.8
Private Real Estate Pool	1.6	0.9
US Passive Equity Pooled Fund	0.5	1.6
US Structured Equity Pool	2.7	-
United States Pooled Equity Fund	1.6	1.6

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (96.9%) and provincial bond residuals (3.1%). Risk is reduced by limiting investments in mortgage loans to include only NHA insured loans and first mortgage loans that provide diversification by property usage. As at March 31, 2000, mortgages held by the Pool have an average market yield of 7.66% per annum based on market (1999: 7.08% per annum) and the following term structure based on principal amount: under 1 year - 7% (1999: - 9%); 1 to 5 years - 28% (1999: - 33%); 5 to 10 years - 29% (1999: - 42%); 10 to 20 years - 22% (1999: - 16%) and over 20 years – 14% (1999: nil).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate income needed for the swap obligations in respect of with structured investments in foreign equities, domestic equities and bonds. Through the use of interest rate swaps the Pool provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less.

(d) The Private Equity Pool is in the process of orderly liquidation.

(e) The Europe, Australia and Far East (EAFE) Structured Equity Pool is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International (MSCI) EAFE Index. The Pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the Pool.

(f) The US Passive Equity Pooled Fund is a passively managed United States equity fund that provides a return equal to the total rate of return on the Standard & Poor's 500 United States Equity Index. Futures, swaps and other structured investments may be used to enhance performance of the Fund. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the pool.

(g) The US Structured Equity Pool is in the process of orderly liquidation.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real Estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.

Note 4 Investment Risk Management

Income and financial returns of the Fund are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Fund established the following long-term policy asset mix for the 1999-2000 fiscal year:

Fixed-income securities	- 25% to 50%
Equities	- 75% to 50%

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

The Fund uses index and interest rate swaps directly, or indirectly through pooled funds to enhance return and for hedging of risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. All swaps are supported by underlying securities. Leveraging is not allowed.

The following is a summary of the Fund's proportionate share of the notional value of index and interest rate swaps held directly or issued by pooled funds as at March 31,2000.

	Remaining term to maturity				
	Under 1 year	1 to 3 years	Over 3 years	Total 2000	Total 1999
				($ thousands)	
Equity index swaps:					
Canadian equities (Domestic Passive Equity Pooled Fund)	$ 16,762	$ -	$ -	$ 16,762	$ 12,596
Foreign equities (EAFE Structured Equity Pool)	14,998	-	-	14,998	-
United States equities (US Passive Equity Pooled Fund)	4,270	-	-	4,270	9,813
United States equities (US Structured Equity Pool)	3,609	-	-	3,609	-
Foreign equities (Global Structured Equity Pooled Fund)	-	-	-	-	34,825
Bond index swaps: (Canadian Dollar Public Debt Pool)	8,131	6,005	-	14,136	19,429
Interest rate swaps:					
Canadian Dollar Public Debt Pool	1,272	6,474	7,116	14,862	13,963
Domestic Passive Equity Pooled Fund	1,620	4,271	3,432	9,323	9,571
EAFE Structured Equity Pool	1,583	4,533	3,642	9,758	-
US Structured Equity Pool	354	1,015	815	2,184	-
US Passive Equity Pooled Fund	254	698	225	1,177	889
Floating Rate Note Pool	458	1,311	1,054	2,823	-
Global Structured Equity Pooled Fund	-	-	-	-	24,800
	$ 53,311	$ 24,307	$ 16,284	$ 93,902	$ 125,886

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at March 31, 2000, the Fund's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $5,486,000 (1999: $9,592,000).

A stock index futures contract is an agreement to take or make delivery of an amount of cash reflecting the difference between changes in the level of the specified stock index. As at March 31, 2000, the Fund's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $50,000 (1999: $396,000).

Note 6 Endowment and Retained Earnings

The endowment was received from the Alberta Heritage Savings Trust Fund on March 31, 1980. The Alberta Heritage Scholarship Act provides that money required by the Students Finance Board for providing scholarships or for paying the costs of administering scholarships, shall be paid from the Fund but no portion of the original endowment may be paid out of the Fund.

As at March 31, 2000, the fair value of endowment and retained earnings amounted to approximately $345,750,000 (1999: $305,398,000).

Note 7 Investment Income

	2000	1999
	(thousands)	
Deposits and fixed-income securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 319	$ 367
Canadian Dollar Public Debt Pool	5,898	6,889
Private Mortgage Pool	598	1,187
Floating Rate Note Pool	88	-
Public fixed-income securities, directly held	2	13,836
Private Debt Pool	-	832
	6,905	23,111
Equities:		
Domestic Passive Equity Pooled Fund	12,372	1,148
Canadian Pooled Equity Fund	10,040	3,084
External Managers Fund (United States)	7,357	1,061
External Managers Fund (Global)	7,179	3,494
EAFE Structured Equity Pool	5,030	-
Global Structured Equity Pooled Fund	2,806	4,144
External Managers Fund (Canadian)	1,541	(14)
Private Real Estate Pool	1,115	91
US Structured Equity Pool	986	-
US Passive Equity Pooled Fund	958	1,879
Private Equity Pool	192	246
United States Pooled Equity Fund	35	149
Transition Account	-	558
Swaps	-	-
	49,611	15,840
Investment income	$ 56,516	$ 38,951

Investment income is comprised of interest, dividends, amortization of discount or premium, swap income, security lending income and realized gains and losses, net of write-downs on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools (see Note 8).

Investment income includes net gains from disposal of investments totalling $32,812,000 (1999: $24,066,000).

Note 8 Administrative Expenses

Administrative expenses include investment management, cash management and safekeeping costs and other expenses charged on a cost-recovery basis directly by Alberta Treasury. The Fund's total administrative expenses for the year, including amounts deducted directly from investment income of pooled investment funds is as follows:

	2000	1999
	(thousands)	
Direct fund expenses	$ 101	$ 125
Externally managed investment pools	228	245
Internally managed investment pools	48	34
	$ 377	$ 404
Expenses as a percentage of net assets at fair value	0.11%	0.13%

Note 9 Comparative Figures

Certain 1999 figures have been reclassified to conform to 2000 presentation.

Note 10 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

ALBERTA HERITAGE SCHOLARSHIP FUND
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC DEBT POOL

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,081	$ 2,081	$ 1,459	$ 1,459
Public fixed-income securities (b)				
Government of Canada direct and guaranteed	30,808	29,829	28,135	28,472
Provincial:				
Alberta, direct and guaranteed	442	442	2,377	2,467
Other, direct and guaranteed	17,656	17,078	13,018	13,505
Muncipal	968	928	1,062	1,058
Corporate	49,482	47,381	42,066	40,982
Private fixed-income securities				
Corporate	14,290	13,072	14,984	14,363
	115,727	110,811	103,101	102,306
Accrued interest and accounts receivable	3,840	3,840	2,522	2,522
Accounts payable	(2,919)	(2,919)	(1,274)	(1,274)
	921	921	1,248	1,248
Total - Alberta Heritage Scholarship Fund	$ 116,648	$ 111,732	$ 104,349	$ 103,554
Total - Canadian Dollar Public Debt Pool (a)	$9,141,413	$9,089,649	$7,812,035	$8,112,618

(a) The Canadian Dollar Public Debt Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) As at March 31, 2000, securities held by the pool have an average effective market yield of 6.39% per annum (1999: 5.51% per annum) and the following term structure based on principal amount: under 1 year - 9% (1999: - 10%); 1 to 5 years - 35% (1999: - 37%); 5 to 10 years - 29% (1999: - 24%); 10 to 20 years - 15% (1999: - 21%); over 20 years - 12% (1999: - 8%).

Schedule 2

ALBERTA HERITAGE SCHOLARSHIP FUND
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITY FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 229	$ 229	$ 199	$ 199
Canadian public equities (b):				
Common shares and rights:				
Communications and media	1,813	2,643	1,196	2,289
Conglomerates	989	1,436	1,147	1,881
Consumer products	947	797	1,119	1,617
Financial services	2,724	3,897	4,412	7,158
Gold and precious minerals	1,031	852	1,407	1,467
Industrial products	4,332	10,246	4,217	6,893
Merchandising	265	278	574	828
Metals and minerals	1,200	1,179	1,143	1,097
Oil and gas	2,698	3,133	2,308	2,521
Paper and forest products	920	1,031	601	673
Pipelines	517	506	648	877
Real estate and construction	467	455	718	809
Transportation and environmental services	688	407	739	847
Utilities	1,950	7,074	2,099	4,072
Passive index	-	-	346	442
	20,541	33,934	22,674	33,471
Accrued interest and accounts receivable	1,012	1,012	209	209
Accounts payable	(419)	(419)	(281)	(281)
	593	593	(72)	(72)
Total - Alberta Heritage Scholarship Fund	$ 21,363	$ 34,756	$ 22,801	$ 33,598
Total - Canadian Pooled Equity Fund (a)	$1,728,361	$2,501,578	$1,788,730	$2,045,408

(a) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule 3

ALBERTA HERITAGE SCHOLARSHIP FUND
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,127	$ 3,127	$ 111	$ 111
Fixed-income securities, corporate	110	127	168	210
Floating Rate Note Pool	10,939	12,616	8,564	10,692
	14,176	15,870	8,843	11,013
Canadian public equities (b):				
Common shares and rights:				
Communications and media	822	1,435	1,003	1,679
Conglomerates	299	402	495	624
Consumer products	499	655	666	904
Financial services	882	940	2,581	3,825
Gold and precious minerals	705	435	1,137	880
Industrial products	2,749	6,311	2,762	3,920
Merchandising	554	525	613	791
Metals and minerals	559	447	852	652
Oil and gas	1,317	1,471	2,047	1,866
Paper and forest products	394	537	562	585
Pipelines	259	213	428	512
Real estate and construction	278	233	414	436
Transportation and environmental services	212	225	388	414
Utilities	984	2,770	1,329	2,402
Passive index	-	-	265	332
	10,513	16,599	15,542	19,822
Domestic Structured Equity Pooled Fund	-	-	1,632	2,024
United States Public Equities	-	-	30	37
Accrued interest and accounts receivable	1,768	1,768	107	107
Accounts payable	(27)	(27)	(54)	(54)
	1,741	1,741	53	53
Total - Alberta Heritage Scholarship Fund	$ 26,430	$ 34,210	$ 26,100	$ 32,949
Total - Domestic Passive Equity Pooled Fund (a)	$2,107,519	$2,411,696	$1,983,918	$2,005,862

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded equities in Canadian corporations similar in weights to the TSE 300 Index. To enhance investment returns with no substantial increase in risks and provide exposure to Canadian equity markets, the pool uses structured investments such as domestic equity index swaps. The Pool's investment in units of the Floating Rate Note Pool (see Note 3c) are used as the underlying securities to support the index swaps of the Pool.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule 4

ALBERTA HERITAGE SCHOLARSHIP FUND
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

MARCH 31, 2000
(thousands)

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Foreign Public Equity Pools				
Europe	$ 13,552	$ 15,329	$ 11,001	$ 12,621
Pacific Basin	8,777	12,988	7,252	8,222
Multi-region	10,176	11,748	14,606	17,102
Emerging markets	711	1,226	569	808
	33,216	41,291	33,428	38,753
United States	41,742	43,173	5,640	10,041
Canadian Public Equity Pools				
Large capitalized companies	8,889	10,420	8,071	7,924
Small capitalized companies	8,713	9,757	9,268	9,610
	17,602	20,177	17,339	17,534
Total - Alberta Heritage Scholarship Fund	$ 92,560	$ 104,641	$ 56,407	$ 66,328
Total - External Managers Fund (a)(b)	$5,350,708	$6,687,889	$3,537,968	$4,338,781

(a) The Fund is managed by external investment managers with expertise in Canadian small and large stock market capitalization companies, United States and Global equity markets. The global equity market consists of non-North American investments in Europe, Australia, the Far East, the Pacific Basin and Emerging Markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange 300 indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at March 31, 2000.

	2000	1999
	(thousands)	
Cash and short-term securities	$ 135,273	$ 109,079
Investments		
Public equities	5,223,413	3,438,393
Fixed-income securities	519	1,247
Accrued interest and accounts receivable	57,514	27,890
Accounts payable	(66,011)	(38,641)
Total - External Managers Fund	$5,350,708	$3,537,968

ALBERTA RISK MANAGEMENT FUND

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Risk Management Fund as at March 31, 2000 and the statement of operations for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 24, 2000

ALBERTA RISK MANAGEMENT FUND
BALANCE SHEET
AS AT MARCH 31, 2000
($ thousands)

	2000	1999
ASSETS		
Cash and cash equivalents (Note 3)	$ 12,948	$ 9,752
Accounts receivable (Note 4)	67	96
	$ 13,015	$ 9,848
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable (Note 5)	$ 12,315	$ 11,296
Net Assets (Net liabilities)	700	(1,448)
	$ 13,015	$ 9,848

The accompanying notes are part of these financial statements.

ALBERTA RISK MANAGEMENT FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2000
($ thousands)

	2000		1999
	Budget	Actual	Actual
Income			
Insurance services			
Province of Alberta departments, funds and agencies	$ 6,370	$ 6,888	$ 12,131
Other	630	689	260
Interest	315	659	529
	7,315	8,236	12,920
Expenses			
Insurance claims, premiums and other services	5,880	5,420	5,088
Administration	715	668	673
	6,595	6,088	5,761
Net income	$ 720	2,148	7,159
Net liabilities at beginning of year		1,448	8,607
Net assets(Net liabilities) at end of year		$ 700	$ (1,448)

The accompanying notes are part of these financial statements.

ALBERTA RISK MANAGEMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Authority and Purpose

The Alberta Risk Management Fund (the Fund) operates under the authority of the Financial Administration Act, Chapter F-9, Revised Statutes of Alberta 1980, as amended.

The Fund facilitates the provision of risk management and insurance services to government departments and other entities within the Alberta Government by assuming general and automobile liability and the risk of property and other losses in exchange for premiums related to the level of risk assumed.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles. The accounting policies of significance to the Fund are as follows:

(a) Claims provisions, including provisions for claims incurred but not reported, are based on estimates made by management. The provisions are adjusted in the period when more experience is acquired and as additional information is obtained.

(b) Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of claims provisions. The nature of the uncertainty in these items arises from several factors such as the effect of claims incurred but not reported and estimates of claims payable.

(c) The fair values of cash and cash equivalents, accounts receivable and payable are estimated to approximate their book values.

(d) A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents consists of a demand deposit in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 4 Accounts Receivable

Accounts receivable consists of the following:

	2000	1999
	($ thousands)	
Estimated claims recoverable	$ 43	$ 62
Receivable from Province of Alberta departments, funds and agencies	21	26
Other	3	8
	$ 67	$ 96

Note 5 Accounts Payable

Accounts payable consists of the following:

	2000	1999
	($ thousands)	
Estimated claims payable	$ 12,127	$ 11,116
Payable to the Treasury Department - Administration costs	184	177
Other	4	3
	$ 12,315	$ 11,296

Note 6 Contingent Liabilities

At March 31, 2000, the Province was named as defendant in various legal actions relating to insurance claims. The resulting loss if any from these claims and other potential claims cannot be determined.

Note 7 Approval of Financial Statements

These financial statements were approved by management.

SUPPLEMENTARY RETIREMENT PLAN

RESERVE FUND

FINANCIAL STATEMENT

MARCH 31, 2000

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Supplementy Retirement Plan Reserve Fund as at March 31, 2000 and the Statement of Changes in Accrued Liability for the period from December 2, 1999 to March 31, 2000. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the changes in its accrued liability for the period December 2, 1999 to March 31, 2000 in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 24,2000

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
BALANCE SHEET

AS AT MARCH 31, 2000
($ thousands)

ASSETS	
Cash and short-term securities (Note 3)	$ 948
Reveivable from participating employers	167
	$ 1,115
LIABILITIES	
Accrued liability to the Supplementary Retirement Plan for Public Service Managers (Note 4)	$ 1,115

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
STATEMENT OF CHANGES IN ACCRUED LIABILITY

FOR THE PERIOD FROM DECEMBER 2, 1999 TO MARCH 31, 2000
($ thousands)

Inccrease in accrude liability	
Contributions from participating employers	$ 1,115
Accrued liability to the Supplementary Retirement Plan for Public Service Managers at end of period	$ 1,115

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTES TO THE FINANCIAL STATEMENT

MARCH 31, 2000

Note 1 Authority and Purpose

The Supplementary Retirement Plan Reserve Fund (Reserve Fund) operates under the authority of the *Financial Administration Act*, Chapter F-9, Revised Statutes of Alberta 1980, as amended and Treasury Board Directive 05/99.

The Reserve Fund is established to collect contributions from participating employers and to invest the funds which are reserved to meet future benefit payments of the Supplementary Retirement Plan for Public Service Managers (SRP). The SRP is established to provide additional pension benefits to eligible public service managers whose pensionable earnings are in excess of the federal cap effective July 1, 1999. As a result, the Reserve Fund collected contributions from participating employers from July 1, 1999 after it came into existence on December 2, 1999.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments of the SRP. They do not reflect the funding requirements of the SRP or its accrued pension benefits.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Short-term securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

The fair values of deposits, receivables and accrued liabilities are estimated to approximate their book values.

(c) Funding

Accrued liability of the Reserve Fund is funded by investment income and contributions from participating employers at a rate to be determined by SRP's actuary and approved by the government. The rate in effect at March 31, 2000 is 42.5% of the pensionable earnings of eligible public service managers that are in excess of the federal cap.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents consist of a demand deposit in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 4 Accrued Liability to the Supplementary Retirement Plan for Public Service Managers (SRP)

An actuarial valuation of the SRP was carried out as at June 30, 1999 by Johnson Incorporated and extrapolated to March 31, 2000. The March 31, 2000 extrapolation estimated the accrued liability for service under the SRP to be $1,362,000. Assets held in the SRP and the Reserve Fund were in excess of the accrued liability estimated by the actuary at March 31, 2000.

The extrapolation was developed based on management's best estimate of future events. Differences between actual results and management's expectations will be reflected as experience gains and losses in the next actuarial valuation of the SRP.

Note 5 Responsibility for Financial Statement

These financial statement were approved by management.

ALBERTA INSURANCE COUNCIL

FINANCIAL STATEMENTS

DECEMBER 31, 1999

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AUDITOR'S REPORT

To the Members of Alberta Insurance Council

We have audited the balance sheet of Alberta Insurance Council as at December 31, 1999 and the statements of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pricewaterhouse Coopers LLP
Chartered Accountants

Edmonton, Alberta
March 10, 2000

ALBERTA INSURANCE COUNCIL
BALANCE SHEET
AS AT DECEMBER 31, 1999

	2000	1998
ASSETS		
Current assets		
Cash (Note3)	$1,594,317	$1,464,923
Accounts receivable	8,858	1,893
Prepaid expenses	14,808	4,973
	1,617,983	1,471,789
Capital assets (Note 4)	176,715	168,388
	$1,794,698	$1,640,177
LIABILITIES		
Current liabilities		
Accounts payable	$ 54,290	$ 46,006
Deferred tenant inducement	32,719	-
Deferred licence revenue	293,649	283,498
	380,658	329,504
EQUITY IN NET ASSETS		
Net assets	1,414,040	1,310,673
	$1,794,698	$1,640,177

Approved by the Board of Directors

N. Miller, Director

D. McLachlan, Director

ALBERTA INSURANCE COUNCIL
STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 1999

	Budget 1999	1999	1998
Revenue			
Licence and exam fees	$1,367,000	$1,526,367	$1,459,630
Interest and other	60,000	108,742	76,376
	1,427,000	1,635,109	1,536,006
Expenditures			
Salaries and benefits	845,000	865,633	785,323
Occupancy	109,000	134,581	90,755
Council meetings	115,000	107,489	123,096
Travel	100,000	83,711	59,018
Amortization of capital assets	-	75,668	86,972
Professional fees	35,000	83,875	69,523
Communications	45,000	34,237	29,156
Freight and postage	50,000	33,806	59,993
Printing and stationery	55,000	31,992	40,332
Appeal boards	45,000	18,642	21,301
Legal fees	15,000	17,602	15,816
Software maintenance	30,000	12,265	16,439
Promotions and publications	15,000	9,570	5,640
Office	25,000	9,166	15,220
Other	10,000	8,583	18,856
Insurance	8,000	4,922	5,571
	1,502,000	1,531,742	1,443,011
Excess revenue over expenditures for the year		103,367	92,995
Net assets - Beginning of year		1,310,673	1,217,678
Net assets - End of year		$1,414,040	$1,310,673

ALBERTA INSURANCE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999

	1999	1998
Cash provided by (used in)		
Operating activities		
Net revenue for the year	$ 103,367	$ 92,995
Item not affecting cash		
Amortization of capital assets	75,668	86,972
Amortization of tenant inducement	(4,731)	-
	174,304	179,967
Net changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(6,965)	503
(Increase) decrease in prepaid expenses	(9,835)	495
Increase in accounts payable	8,284	1,179
Increase (decrease) in deferred licence revenue	10,151	(15,111)
	175,939	167,033
Investing activities		
Purchase of capital assets	(83,995)	(118,573)
Tenant inducement	37,450	-
	(46,545)	(118,573)
Increase in cash	129,394	48,460
Cash - Beginning of year	1,464,923	1,416,463
Cash - End of year	$1,594,317	$1,464,923

ALBERTA INSURANCE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Authority and Purpose

The Alberta Insurance Council operates under the authority of the Insurance Act, Chapter I-5, Revised Statutes of Alberta 1980, as amended.

The Alberta Insurance Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for regulating their segments of the insurance industry.

Note 2 Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent upon future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue recognition

License and assessment fees are taken into income on a straight-line basis over the term of the license or assessment. License and assessment fees received but not yet taken into income are recorded as deferred license and assessment fee revenue. Examination fees are taken into income when the related exam is held.

Capital assets and amortization

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Lease term
Furniture and office equipment	10 years
Computer equipment	3 years
Computer software	3 years
Telephone equipment	5 years

Deferred tenant inducement

Deferred tenant inducement is recorded at cost and is being amortized over the eight-year lease term.

Note 3 Cash

Included in Cash is an amount of $1,510,447 (1998 - $1,348,776) invested in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 4 Capital Assets

	1999			1998
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	$ 67,111	$ 18,419	$ 48,692	$ 31,588
Furniture and office equipment	131,834	76,944	54,890	53,998
Computer equipment	174,921	133,547	41,374	26,357
Computer software	121,201	92,737	28,464	51,027
Telephone equipment	15,204	11,909	3,295	5,418
	$510,271	$ 333,556	$176,715	$168,388

Note 5 Lease Commitments

The Council is committed to operating leases payments for business premises and equipment as follows:

2000	$ 75,122
2001	90,872
2002	92,053
2003	92,053
2004	77,145
Thereafter	90,711

Note 6 Financial Instruments

The carrying value of financial assets and liabilities approximate fair value. The Council does not hedge interest rate or foreign currency transactions, and there are no unrecorded financial instruments. Credit risk is negligible as the majority of revenue is from license, assessment and examination fees which are billed in advance.

Note 7 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue may affect the Council, including those related to customers, suppliers, or other third parties, have been fully resolved.

Schedule 1

ALBERTA INSURANCE COUNCIL
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1999

PER DIEM PAYMENTS OF COUNCIL MEMBERS

	1999		1998	
	#	Total	#	Total
Councils (a)				
Chairs	4	$ 18,600	4	$ 20,100
Council Members	19	48,150	19	56,500
Total	23	$ 66,750	23	$ 76,600

(a) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council and the Insurance Adjusters Council, the Audit Committee, and CISRO and Outreach project meetings.

SALARIES AND BENEFITS

	1999				1998	
	#	Salary[b]	Benefits[c]	Total	#	Total
General Manager	1	$ 105,000	$ 21,057	$ 126,057	1	$ 126,035
Assistant General Manager	1	78,461	16,700	95,161	1	87,630
Full-time staff [d]	16	554,552	86,987	641,539	14	574,417
Part-time staff	2	2,516	360	2,876	3	3,241
Total	20	$ 740,529	$ 125,104	$ 865,633	19	$ 791,323

(b) Salary includes regular base pay, bonuses, overtime and accrued vacation pay. Accrued vacation pay was $1,158 for 1999 and $3,839 for 1998.

(c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, dental coverage, group life insurance and long and short term disability plans.

(d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary was $44,108 for 1999 and $42,389 for 1998.

ALBERTA MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1999

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Statement of Loss and Retained Earnings

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Notes to the Financial Statements

Schedule of Sinking Fund Investments

Schedule of Long-term Debt

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholders of the Alberta Municipal Financing Corporation

I have audited the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1999 and the statements of loss and retained earnings and of cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 7, 2000

ALBERTA MUNICIPAL FINANCING CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Assets			
Cash (Note 3)	$ 102,618	$ 76,641	$ 246,052
Short-term investments	-	-	39,348
Accrued interest receivable	149,683	147,140	158,884
Loans to local authorities (Note 4)	3,536,977	3,560,762	3,716,178
Sinking fund investments (Note 5 and Schedule 1)	450,139	450,153	417,639
	$ 4,239,417	$ 4,234,696	$ 4,578,101
Liabilities and Shareholders' Equity			
Liabilities:			
Accrued interest payable	$ 78,224	$ 78,324	$ 85,217
Long-term debt (Note 6 and Schedule 2)	3,880,652	3,880,652	4,174,218
	3,958,876	3,958,976	4,259,435
Shareholders' equity:			
Share capital (Note 7):			
Authorized: 7,500 common shares, par value $10 per share			
Issued and fully paid:			
6,368 shares (1998 - 6,367)	64	64	64
Retained earnings	280,477	275,656	318,602
	280,541	275,720	318,666
	$ 4,239,417	$ 4,234,696	$ 4,578,101

A. J. McPherson
President and Chairman of the Board

G. H. Sherwin, CA
Vice-President

The accompanying notes are part of these financial statements.

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF LOSS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Interest Income:			
Loans	$ 380,692	$ 377,028	$ 417,622
Amortization of loan discounts	30,100	30,100	36,133
Deposits and short-term investments	12,900	12,507	12,378
	423,692	419,635	466,133
Interest Expense:			
Debt	489,793	489,793	510,390
Amortization of long-term debt discounts	640	640	818
	490,433	490,433	511,208
Net interest expense	(66,741)	(70,798)	(45,075)
Other Income:			
Investment income on sinking fund	28,000	28,014	27,835
Loan prepayment fees	1,000	180	2,649
	29,000	28,194	30,484
Net interest expense and other income	(37,741)	(42,604)	(14,591)
Non-Interest Expense:			
Administration and office expenses (Note 8)	321	284	256
Debt issue and service expenses	43	39	38
Directors' and officers' fees and expenses (Note 8)	20	19	18
	384	342	312
Net loss	(38,125)	(42,946)	(14,903)
Retained earnings, beginning of year	318,602	318,602	333,505
Retained earnings, end of year	$ 280,477	$ 275,656	$ 318,602

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Operating Activities:			
Interest received on loans	$ 389,893	$ 388,772	$ 435,609
Interest received on investments/sinking fund	13,104	12,537	12,417
Loan prepayment fees	1,000	180	2,649
Administration and office expenses	(384)	(342)	(312)
Interest paid on debt	(496,786)	(496,686)	(516,177)
Cash flows used in operating activities	(93,173)	(95,539)	(65,814)
Investing Activities:			
Sale (purchase) of short term investments	39,348	39,348	(39,348)
Loan repayments	429,301	422,002	562,723
New loans issued	(220,000)	(236,486)	(160,104)
Investment income on sinking fund	(4,704)	(4,530)	(4,539)
Cash flows from investing activities	243,945	220,334	358,732
Financing Activity:			
Debt repayments	(294,206)	(294,206)	(226,645)
Cash flows used in financing activity	(294,206)	(294,206)	(226,645)
Net (decrease) increase in cash	(143,434)	(169,411)	66,273
Cash at beginning of year	246,052	246,052	179,779
Cash at end of year	$ 102,618	$ 76,641	$ 246,052

ALBERTA MUNICIPAL FINANCING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. Authority

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended.

2. Significant Accounting Policies and Reporting Practices

(a) Short-term Investments

Short-term investments are recorded at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying values. All securities held were purchased with the intention to hold them to maturity. Gains and losses on disposal of short-term investments are included in the year of disposal.

(b) Sinking Fund Investments

Sinking fund investments are recorded at cost. The cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Realized gains and losses on disposals of sinking fund investments are included in the determination of investment income. The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Investment income on sinking fund investments accrues to the sinking fund.

(c) Long-term Debt

Long-term debt discounts, including underwriting commission, arising on the issue of long-term debt are deferred and amortized over the term of the long-term debt.

Long-term debt is recorded net of unamortized discounts.

Public long-term debt issue expenses are charged against income as they are incurred.

(d) Discounts on Loans to Local Authorities

Discounts are recorded for reductions of interest rates given on loans to local authorities with interest rates above a certain level and are amortized to income over the term of these loans. Annual amortization is the change in the present value of the remaining interest rate reduction.

3. Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the Funds daily cash balance at the average rate of interest earned by CCITF, which varies depending on prevailing market interest rates.

4. Loans to Local Authorities

	1999	1998
	(thousands of dollars)	
Loans to local authorities	$3,656,880	$3,842,396
Less: Unamortized discounts	96,118	126,218
	$3,560,762	$3,716,178

5. Sinking Fund Investments

Sinking fund investments relate to the $450,000,000 December 15, 2002 public issue of long-term debt.

6. Long-term Debt

(a) The long-term debt of the Corporation is fully guaranteed by the Province of Alberta.

(b) Long-term debt amounting to $3,097,555,000 (1998 - $3,316,761,000) held by the Canada Pension Plan Investment Fund is redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing and observing the other redemption provisions of the long-term debt agreement.

(c) Sinking fund and long-term debt redemption requirements during each of the next five years are as follows:

	Sinking Fund	Long-term Debt Redemption	Total
		(thousands of dollars)	
2000	$ 4,500	$ 442,367	$ 446,867
2001	4,500	331,739	336,239
2002	4,500	724,735	729,235
2003	-	441,023	441,023
2004	-	338,491	338,491
	$13,500	$2,278,355	$2,291,855

7. Share Capital

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of Shares Authorized	Number of Shares Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta	4,500	4,500	$ 45,000
B	Municipalities and hospitals	1,000	848	8,480
C	Cities	750	577	5,770
D	Towns and villages	750	311	3,110
E	Schools, universities and colleges	500	132	1,320
		7,500	6,368	63,680

During the year, 2 Class B shares were issued and 1 Class D share was cancelled at $10.00 each.

8. Directors' Fees and Related Party Transactions

Directors' fees paid by the Corporation are as follows:

	1999		1998	
	Number of Individuals	Total	Number of Individuals	Total
Chairman of the Board	1	$ 1,500	1	$ 1,400
Board members	8	$ 8,700	8	$ 8,100

Two of the Board members are employees of the Province of Alberta and do not receive compensation from the Corporation.

The Corporation has no employees. Administration and office expenses of $243,679 (1998 - $219,945) were paid to the controlling shareholder, Province of Alberta, at prices which approximate market.

9. Interest Rate Risk

Interest rate risk refers to the potential impact of changes in interest rates on the Corporation's earnings and the fair value of the financial instruments when maturities of its financial assets are not matched with the maturities of its financial debt. The following table shows the maturities and effective rates of the Corporation's financial assets and liabilities:

	As at December 31, 1999 (thousands of dollars)					
Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
Assets						
Cash	$ 76,641					$ 76,641
Effective rate	5.1%					
Accrued interest receivable	147,140					147,140
Loans	34,921	122,571	793,191	1,537,986	1,168,211	3,656,880 (i)
Effective rate	11.3%	10.5%	10.2%	10.6%	8.4%	9.8%
Sinking fund			450,153			450,153
Effective rate			6.7%			
Total	258,702	122,571	1,243,344	1,537,986	1,168,211	4,330,814
Liabilities						
Accrued interest payable	78,324					78,324
Debt	442,367	331,739	1,502,346	1,604,200		3,880,652
Effective rate	12.5%	14.7%	13.7%	10.2%		12.1%
Total	520,691	331,739	1,502,346	1,604,200		3,958,976
Net gap	$ (261,989)	$ (209,168)	$ (259,002)	$ (66,214)	$1,168,211	$ 371,838

(i) This total is not reduced by unamortized discount of $96,118.

The Corporation manages on a continuous basis its interest rate risk by matching its debt maturity profile to the forecast cash flows and their effect on the Corporation's surplus position. Based on the maturity of its current outstanding loans and debt, the Corporation is able to repay its debt from cash flows with borrowing of $30 million in 2000 and no additional borrowing until 2004.

10. Fair Value of Financial Instruments

The amounts set out in the table represent the fair value of the Corporation's financial instruments based on the following assumptions and valuation methods.

Fair value represents the Corporation's estimate of amounts for cash, short-term investments, sinking fund investments and debt that could be exchanged with unrelated parties who are interested in acquiring these instruments. For loans which lack an available trading market, fair value is based on estimates using net present value techniques which reflect the Corporation's lending rates.

The fair value of accrued interest receivable and payable approximate their carrying value.

Interest rate sensitivity is the main cause of changes in the fair value of the Corporation's financial instruments.

	1999		1998	
	Fair Value	Book Value	Fair Value	Book Value
	(thousands of dollars)			
Assets				
Cash	$ 76,641	$ 76,641	$ 246,052	$ 246,052
Short-term investments	-	-	39,562	39,348
Sinking fund investments	452,008	450,153	429,454	417,639
Loans	4,188,864	3,560,762	4,676,713	3,716,178
Liabilities				
Debt	4,544,060	3,880,652	5,291,530	4,174,218

11. Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

12. Budget

The 1999 budget was approved by the Board of Directors on February 19, 1999.

Schedule 1

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF SINKING FUND ASSETS

AS AT DECEMBER 31, 1999
(thousands of dollars)

	Book Value	Market Value
Investments		
Bonds and debentures:		
Corporate	$ 51,657	$ 51,435
Bond coupons and residuals:		
Government of Canada, direct	38,370	38,492
Provincial, direct:		
Alberta Municipal Financing Corporation	59,014	59,735
Bond coupons and residuals - short-term:		
Government of Canada, direct	119,681	119,540
Provincial, direct:		
Alberta Municipal Financing Corporation	163,704	164,949
Other	17,715	17,845
Total	450,141	451,996
Cash	12	12
Total 1999	$ 450,153	$ 452,008
Total 1998	$ 417,639	$ 429,454

Schedule 2

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF LONG-TERM DEBT

AS AT DECEMBER 31, 1999
(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Principal Outstanding
Province of Alberta			
Mar 03, 1980	Mar 03, 2000	13.45	$ 35,000
Aug 15, 1980	Aug 15, 2000	13.20	35,000
Total			70,000
Canada Pension Plan Investment Fund (Note 6(b))			
Nov 14, 1980	Oct 01, 2000	12.35	222,367
Sep 15, 1981	Aug 01, 2001	14.18	216,739
Jun 01, 1982	Jun 01, 2002	15.75	274,735
Apr 05, 1983	Apr 05, 2003	13.82	209,284
Dec 01, 1983	Dec 01, 2003	11.50	231,739
Dec 03, 1984	Dec 03, 2004	13.25	338,491
Nov 01, 1985	Nov 01, 2005	11.66	283,604
Nov 03, 1986	Nov 03, 2006	9.85	395,396
Nov 02, 1987	Nov 02, 2007	9.66	335,383
Oct 03, 1988	Oct 03, 2008	10.04	259,294
Oct 02, 1989	Oct 02, 2009	9.99	291,414
Nov 01, 1989	Nov 01, 2009	9.62	32,457
Dec 01, 1989	Dec 01, 2009	9.26	6,652
Total			3,097,555
Public			
Dec 17, 1979	Dec 15, 2000	11.85	70,000
Jul 02, 1980	Jul 03, 2000	11.75	30,000
Dec 01, 1980	Dec 01, 2000	13.65	50,000
Mar 02, 1981	Mar 02, 2001	14.10	30,000
Jun 15, 1981	Jun 15, 2001	16.25	85,000
Jan 18, 1983	*Dec 15, 2002	12.25	450,000
Total			715,000
			3,882,555
Less: Unamortized long-term debt discount			1,903
Total long-term debt			$3,880,652

*AMFC has the right with six months notice to redeem the debentures of this issue in whole but not in part on December 15, 2000 or any interest payment date thereafter prior to maturity.

ALBERTA PENSIONS ADMINISTRATION CORPORATION FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report
Balance Sheet
Statement of Income
Statement Cash Flow
Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of Alberta Pensions Administration Corporation

I have audited the balance sheet of the Alberta Pensions Administration Corporation as at December 31, 1999 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 18, 2000

ALBERTA PENSIONS ADMINISTRATION CORPORATION

BALANCE SHEET

AS AT DECEMBER 31, 1999

	1999	1998
ASSETS		
Cash (Note 4)	$ 565,865	$ 116,013
Accounts receivable	179,099	77,161
Prepaid expenses	19,727	-
Due from pension plans	1,701,056	1,201,764
Capital assets (Note 5)	1,188,311	396,417
	$ 3,654,058	$ 1,791,355
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,761,505	$ 841,539
Accrued salaries and benefits	138,259	378,398
Accrued vacation pay	419,000	175,000
Obligation under capital lease [Note14(d)]	146,982	-
Unearned capital contributions [Note 3(b)]	1,188,311	396,417
	3,654,057	1,791,354
Shareholder's equity:		
Share capital (Note 6)	1	1
	$ 3,654,058	$ 1,791,355

On behalf of the Board:

Jack H. McMahon
Chairman of the Board

Allan J. Habstritt
Audit Committee Chairman

The accompanying notes are part of these financial statements.

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1999

	Budget 1999 (Note 16)	Actual 1999	Actual 1998
Revenue			
Service revenue (Note 7)	$11,977,000	$14,080,977	$11,301,137
Miscellaneous revenue (Note 8)	20,000	327,042	237,296
Total revenue	11,997,000	14,408,019	11,538,433
Operating costs before Business Process Reengineering (BPR) and plan specific costs			
Salaries and benefits	5,361,000	4,851,259	5,051,874
Data processing	2,236,000	2,210,769	1,698,553
Contract services	830,000	703,817	462,406
Materials and supplies	683,000	700,547	566,175
Rent	496,000	437,223	450,122
Amortization of capital assets	237,000	227,066	184,566
Operating costs before BPR and plan specific costs	9,843,000	9,130,681	8,413,696
BPR costs (Note 15)	373,000	3,617,122	1,963,081
Operating costs before plan specific costs	10,216,000	12,747,803	10,376,777
Plan specific costs (Note 10)	1,781,000	1,660,216	1,161,656
Total operating costs	11,997,000	14,408,019	11,538,433
Net income	$ -	$ -	$ -

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999

	1999	1998
Operating activities		
Net income	$ -	$ -
Items not requiring cash		
Amortization	227,066	1,597,303
Loss (gain) on disposal of capital assets	9,378	(2,932)
Capital contributions recognized in current year	(227,066)	(1,597,303)
	9,378	(2,932)
Changes in non-cash working capital		
Increase in accounts receivable	(101,938)	(51,273)
Increase in prepaid expenses	(19,727)	-
Decrease (increase) in due from pension plans	(499,292)	(186,963)
Increase in accounts payable and accrued liabilities	919,966	128,690
Decrease in accrued salaries and benefits	(240,139)	(61,012)
Increase in vacation pay	244,000	168,647
	302,870	(1,911)
	312,248	(4,843)
Investing activities		
Proceeds on sale of capital assets	-	8,425
Acquisition of capital assets		
BPR	(361,172)	(195,214)
Non-BPR	(667,166)	(39,132)
	(1,028,338)	(225,921)
Financing activities		
Capital lease obligation	146,982	-
Increase in capital contributions	1,018,960	228,853
	1,165,942	228,853
Increase (decrease) in cash for the year	449,852	(1,911)
Cash at beginning of year	116,013	117,924
Cash at end of year	$ 565,865	$ 116,013

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Authority

The Alberta Pensions Administration Corporation (APA) was incorporated on August 10, 1995 under the Business Corporation Act, Chapter B-15, Statutes of Alberta, and commenced operations on November 1, 1995. The issued share of the Corporation is owned by the Province of Alberta, and accordingly the Corporation is exempt from income taxes.

Note 2 Nature of Operations

The Provincial Treasurer of Alberta, operating under the authority of the Public Sector Pension Plans Act, Chapter P-30.7, Statutes of Alberta 1993, as amended, is responsible for administering several Alberta public sector pension plans. On November 1, 1995, the Provincial Treasurer transferred all of the pension administration operations, including all related computer hardware, computer software, office furniture and equipment to the Corporation.

By agreement dated November 1, 1995, between the Provincial Treasurer, as administrator of the pension plans, and the Corporation, the Corporation is to provide administrative services, on a cost recovery basis, for the period November 1, 1995 through December 31, 2001 to the following pension plans:

The Local Authorities Pension Plan
The Public Service Pension Plan
The Universities Academic Pension Plan
The Management Employees Pension Plan
The Special Forces Pension Plan
The Public Service Management (Closed Membership) Pension Plan
The Provincial Judges and Masters In Chambers Pension Plan
The Members of the Legislative Assembly Pension Plan

All administrative services required by the pension plans are provided by the Corporation. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically approved by individual pension boards.

Note 3 Significant Accounting Policies

(a) Capital Assets

Capital assets are recorded at cost.

Capital assets are amortized on a straight line basis over the estimated useful life of the asset as follows:

Computer equipment	2 to 3 years
Computer software	2 to 3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Lease period
Business process reengineering (BPR)	5 years

The costs of business process reengineering activities directly attributable to the development, betterment or acquisition of computer software are capitalized. These activities include:

Costs associated with defining plan rules and developing specifications for programming new pension software.

Purchase and installation of new pension software.

Program modifications to new pension software.

Capital assets under construction, including software development projects, are not amortized until completion and implementation.

(b) Revenue Recognition

Contributions to acquire capital assets are recorded as unearned capital contributions. These amounts are recognized as revenue on the same basis as the acquired capital assets are amortized to operating costs.

(c) Pensions

The Corporation participates in multiemployer pension plans with related government entities.

Pension costs included in these statements for these multiemployer pension plans comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

(d) Change in Accounting Policy

The Corporation has changed the way it accounts for its participation in multiemployer pension plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As at December 31, 1998, pension liabilities have decreased by $290,000. Pension expense has decreased by $262,206 for the year ended December 31, 1998, as a result of this change.

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment-grade-quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates. Interest earned on deposits is included in miscellaneous revenue.

Note 5 Capital Assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 633,320	$ 391,901	$ 241,419	$ 122,375
Software development projects	112,996	99,784	13,212	11,415
Computer software	252,757	50,788	201,969	949
Furniture and equipment	211,842	41,847	169,995	46,367
Telephone system	42,515	42,515	-	12,991
Leasehold improvements	9,179	3,849	5,330	7,106
Business process reengineering	556,386	-	556,386	195,214
	$ 1,818,995	$ 630,684	$ 1,188,311	$ 396,417

Note 6 Share Capital

	1999	1998
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash	$1	$1

Note 7 Service Revenue

The Corporation charged each pension plan with its respective share of the Corporation's operating costs less miscellaneous revenue.

	1999	1998
The Local Authorities Pension Plan	$ 7,681,792	$ 6,230,765
The Public Service Pension Plan	4,070,735	3,365,629
The Universities Academic Pension Plan	951,819	648,146
The Management Employees Pension Plan	592,750	430,696
The Special Forces Pension Plan	471,373	363,965
The Public Service Management (Closed Membership) Pension Plan	154,538	141,652
The Provincial Judges and Masters in Chambers Pension Plan	82,937	61,642
The Members of the Legislative Assembly Pension Plan	75,033	58,642
Total Service Revenue	$ 14,080,977	$ 11,301,137

Note 8 Miscellaneous revenue

	1999	1998
Miscellaneous revenue is comprised of:		
Cost recovery from Telus	$ -	$ 124,020
Cost recovery related to the withdrawal of Alberta Treasury Branches	104,363	-
Cost recovery from pension plans	187,705	83,000
Interest	28,718	26,530
Other	6,256	3,746
	$ 327,042	$ 237,296

Note 9 Related Party Transactions

		1999	1998
The Corporation received the following services at amounts which approximate market from:			
Alberta Treasury	Accounting and administrative	$ 57,331	$ 98,656
	Staffing services	547,719	3,359,686
Alberta Infrastructure	Data processing, postage and office space	694,192	530,354
Auditor General of Alberta	Auditing - Corporation	22,450	13,400
	Auditing - pension plans	129,650	135,250
Payment Systems Corporation	Payroll and pension benefits processing	8,089	42,432

The Corporation also provided services to the Provincial Pension Plans as disclosed in Note 7.

Note 10 Plan Specific Costs

The Corporation makes certain payments on behalf of the pension plans. These costs, which are incurred directly by the pension plans, and which the Corporation does not control, are as follows:

	1999	1998
Pension board remuneration	$ 168,411	$ 168,144
Contract services	977,540	685,508
Materials and supplies	514,265	308,004
	$ 1,660,216	$ 1,161,656

Note 11 Salaries and Benefits

	1999			1998
	Salary [a] [b]	Benefits and Allowances [a] [c]	Total	Total
Chairman of APA Board [d]	$ 6,000	$ -	$ 6,000	$ 3,000
Board Members of APA [d]	8,000	-	8,000	6,000
Current Executives: [a]				
Chief Operating Officer	120,575	20,538	141,113	130,829
Director Business Transformation	92,903	16,084	108,987	103,070
Director Operations	90,017	15,658	105,675	101,623
Director Finance and Administration	89,714	17,529	107,243	104,700
Director Pension Policy [e]	18,750	3,818	22,568	-

(a) Prepared in accordance with Treasury Board Directive 12/98. The schedule includes the salary and benefits of:

Current Executives:

This includes the salary and benefits of the last incumbent. Where the last incumbent has held the position for part of the year, his/her salary and benefits as an executive in previous positions within the government reporting entity are also included.

(b) Salary includes regular base pay, honoraria, bonuses and other lump sum payments.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships, tuition fees and vacation payouts.

(d) Remuneration paid to the Chairman and four Board Members is classified as contract services.

(e) Position created August 1, 1999 and the incumbent joined the Corporation as an executive on October 1, 1999.

Note 12 Pension Liability

The Corporation participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $278,613 for the year ended December 31, 1999 (1998: $276,676).

Effective January 1, 1999, the Corporation's additional contributions (0.3%) to the Public Service Pension Plan with respect to the pre-1992 deficiency was eliminated.

Based on the latest audited information available, the Management Employees Pension Plan and the Public Service Pension Plan reported surpluses as at December 31, 1998.

Note 13 Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

Note 14 Commitments

The Corporation has entered into agreements with minimum annual commitments as follows:

(a) As assignee in the lease agreement between the Landlord and Alberta Infrastructure for office space.

2000 to 2002	$ 497,000

(b) An agreement with a service provider for the provision of pension payroll services to August 31, 2000.

2000	$ 117,000

(c) An agreement with a service provider for the provision of information technology services commencing September 1, 1998 to August 31, 2003. The contract amount is negotiated each year before September 1.

2000	$ 1,383,000
2001	$ 1,470,000
2002	$ 1,500,000
2003	$ 1,000,000

(d) An agreement with a service provider for the lease of hardware and software for the local area network; development, production and back-up servers; and desktop computer equipment.

	Operating Lease	Capital Lease
2000	$ 159,000	$ 63,000
2001	159,000	77,000
2002	15,000	7,000
	$ 333,000	$ 147,000

Note 15 Business Process Re-engineering Project (BPR)

In 1997, the Corporation commenced a multi-year project designed to replace legacy pension systems with a new multi-functional, integrated system. Contract and performance difficulties were encountered with a key pension software vendor in 1999. In early 2000, the pension software vendor ceased work on the project and terminated the Corporation's right to its software license. The Corporation is considering the appropriate next steps to be taken in relation to the termination of this project.

The following are the BPR costs incurred, expensed and capitalized:

Capital Asset Balance at December 31, 1998		$ 195,214
Costs incurred in 1999:		
Pension software license and customization	$ 1,162,797	
Computer hardware and associated software	625,494	
Define pension rules, data conversion technical support	2,190,003	3,978,294
Costs expensed and written off in 1999:		
Portion of amount capitalized in 1998	173,214	
Pension software license and customization	1,162,797	
Computer hardware and associated software	198,330	
Define pension rules, data conversion, and technical support	2,082,781	3,617,122
Capital Asset Balance at December 31, 1999		$ 556,386

Note 16 Budget

The 1999 budget was approved by the Board of Directors on December 8, 1998.

ALBERTA SECURITIES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2000

Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Salaries and Benefits

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Securities Commission

I have audited the balance sheet of the Alberta Securities Commission as at March 31, 2000 and the statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 2, 2000

ALBERTA SECURITIES COMMISSION
BALANCE SHEET
AS AT MARCH 31, 2000
($ Thousands)

	2000	1999
ASSETS		
Current		
Cash (Note 4)	$ 3,129	$ 2,649
Accounts receivable	170	176
Work-in-progress	74	51
Prepaid Expense	11	21
	3,384	2,897
Non-curremt		
Restricted assets (Note 5)	186	-
Investments (Note 6)	15,287	14,445
Capital assets (Note 7)	1,253	1,083
	16,726	15,528
Total assets	$ 20,110	$ 18,425
LIABILITIES AND RETAINED EARNINGS		
Current		
Accounts payable and accrued liabilities	$ 293	$ 647
Accrued vacation and benefit liabilities	658	488
Unearned revenue	681	309
Lease inducement (Note 8)	40	40
Total current	1,672	1,484
Lease inducement (Note 8)	-	40
Accrued benefit liability (Note 9)	375	83
Total liabilities	2,047	1,607
Retained earnings (Note 5)	18,063	16,818
Total liabilities and retained earnings	$ 20,110	$ 18,425

The accompanying notes and schedule are part of these financial statements.

Approved on behalf of the Members

Glenda A. Campbell, Acting Chair

Jerry A. Bennis, FCA, Member

ALBERTA SECURITIES COMMISSION
STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2000
($ Thousands)

	2000		1999
	Budget (Note 11)	Actual	Actual
REVENUE			
Fees (Note 12)	$ 11,749	$ 11,628	$ 11,482
Investment income	984	1,018	1,249
Settlement cost recoveries	250	62	364
Other	52	127	65
	13,035	12,835	13,160
EXPENSE			
Salaries and benefits (Schedule 1)	7,846	8,104	6,208
Premises	561	611	501
Materials and supplies	326	330	375
Contribution-Alberta Capital Market Foundation	-	-	1,160
Contract services	961	1,077	617
Travel	461	461	400
Amortization	336	328	267
Telephone and communications	164	201	141
Member fees (Schedule 1)	230	175	116
Other	378	489	312
Loss on disposal of capital assets	-	-	138
Total expense	11,263	11,776	10,235
Net income from operations	1,772	1,059	2,925
Administrative penalty revenue (Note 5)	-	186	-
Net income	1,772	1,245	2,925
Retained earnings at beginning of year	16,818	16,818	13,893
Retained earnings at end of year	$ 18,590	$ 18,063	$ 16,818

The accompanying notes and schedule are part of these financial statements.

ALBERTA SECURITIES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2000
($ Thousands)

	2000	1999
Cash flows from operating activities		
Net income	$ 1,245	$ 2,925
Amortization, net	288	227
Loss on disposal of capital assets	-	137
Increase of unfunded pension	292	5
	1,825	3,294
Changes in non-cash working capital items relating to operations		
Accounts receivable	5	43
Work-in-progress	(23)	(13)
Prepaid expenses	10	-
Accounts payable and accrued liabilities	(353)	520
Accounts payable and accrued liabilities relating to investing activities	181	(186)
Accrued vacation and other benefit liabilities	169	89
Unearned revenue	372	(203)
	361	250
Cash flows from operating activities	2,186	3,544
Cash flows used in investing activities		
Increases (reduction) in capital asset liabilities	(181)	186
Increases in restricted assets	(185)	-
Additions to investments	(842)	(14,445)
Additions to capital assets	(498)	(393)
	(1,706)	(14,652)
Change in cash during the year	480	(11,108)
Cash at beginning of the year	2,649	13,757
Cash at end of the year	$ 3,129	$ 2,649

The accompanying notes and schedule are part of these financial statements.

ALBERTA SECURITIES COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Nature of Operations

The Alberta Securities Commission (the "Commission") is a Provincial Corporation under the Securities Act (Alberta) (the "Act"). The business of the Commission is the regulation of the Alberta Capital Market, including the administration of the Act, the Securities Regulation and the Alberta Securities Commission Rules.

The mission of the Commission is to foster a fair and efficient capital market in Alberta and confidence in that market. In carrying out its mission the Commission strives to balance the needs of investors for adequate protection with the needs of industry to access capital necessary for continued economic growth.

The Commission, as an Alberta Provincial Corporation, is exempt from income tax.

Note 2 Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Commission are as follows:

(a) Portfolio Investments

Fixed-income securities are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

The cost of disposals is determined on the average cost basis.

Where there has been a decline in value in an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposal of investments are included in the determination of investment income.

(c) Investment Valuation

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held directly by the pooled investment fund are determined as follows:

(i) Public fixed-income securities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed-income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

(d) Capital Assets

Capital assets are recorded at cost. The Commission capitalizes labour and out of pocket costs for significant individual systems development projects. Assets are amortized on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	10 years
Systems development costs	5 years
Leasehold improvements	3.5 years to 10 years

(e) Revenue Recognition

Fees are recognized as revenue when the relevant order, receipt, certificate or other acknowledgment is issued. Fees received concerning matters in progress at year end are recorded as unearned revenue and an estimate of labour costs on these matters is recorded as work in progress. Administrative penalties, cost recoveries from Commission orders and settlement agreements are recognized as revenues when cash is received.

(f) Employee Future Benefits

The Commission participates in the Public Service Pension Plan, a multiemployer pension plan, with other government entities. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for the service relating to prior years. See Note (3) - Change In Accounting Policy.

The commission, in the current fiscal year, established a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and managements' best estimate of economic assumptions. Past service costs are amortized on a straight line basis over the average remaining service period of employees active at the date of commencement of the plan. The average remaining service period of active employees of the Plan is 13 years.

The Commission, in the current fiscal year, also established a plan whereby it would make Registered Retirement Savings Plan contributions on behalf of certain employees of the Commission. The contributions are calculated based on a fixed percentage of the employees salary to a maximum of the Registered Retirement Savings Plan contribution of $13,500. The expense included in these financial statements comprise the current contributions made on behalf of the employees.

(g) Lease Inducement

Cash payments received as lease inducements are deferred and amortized on a straight line basis over the lease term.

(h) Fair Value

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

Note 3 Change in Accounting Policy

The Commission has changed the way it accounts for its participation in the Public Service Pension Plan to a defined contribution basis. This change in accounting policy has not been applied retrospectively due to the immaterial amount of the change.

Note 4 Cash

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund. The Consolidated Cash Investment Trust Fund is administered by the Provincial Treasurer with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositor's capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 5 Restricted Assets

Effective June 1, 1999 the Commission received the authority to levy administrative penalties. Revenues received by the Commission from administrative penalties are not to be used for normal operating expenditures of the Commission and must only be used for endeavours or activities that in the opinion of the Commission enhance the capital market in Alberta. The Commission, at March 31, 2000, had $186,139 of restricted assets.

Retained earnings are comprised of:

	($ Thousands)
Unrestricted earnings	$ 17,877
Restricted earnings from administrative penalties	186
Retained earnings	$ 18,063

Note 6 Investments

The Commission's investments are held in the Canadian Dollar Public Bond Pool ("CDPBP"), a pooled investment fund established and administered by the Provincial Treasurer. Pooled investment funds have a market based value that is used to allocate income to participants and to value purchases and sales of pool units.

CDPBP is managed with the objective of providing competitive above average returns compared to the total return of the Scotia Capital Markets Universe Bond Index over a four year period while maintaining maximum security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of portfolio duration and sector rotation. At March 31, 2000 securities held by the pool have an average effective market yield of 6.39% per annum (1999: 5.52% per annum) and the following term structure based on principal amount:

	2000	1999
	%	
under 1 year	9	10
1 to 5 years	35	37
5 to 10 years	29	24
10 to 20 years	15	21
over 20 years	12	8
	100	100

(a) Investment Risk Management

Income and financial returns of the Commission are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn an optimal financial return at an acceptable level of risk, management of the Commission has established an investment policy which is reviewed annually. Risk is reduced through the investment in a pooled bond fund with sufficient diversification and quality restraints on fixed income investments. Individual investments in non-listed and foreign securities are not eligible investments outside of CDPBP. CDPBP uses derivative securities to enhance returns.

(b) Index and Interest Rate Swaps

CDPBP uses index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal.

An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. Notional value is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. All swaps are supported by underlying securities. Leveraging is not permitted.

The Commission's proportionate share of the notional value of index and interest rate swaps issued by CDPBP as at March 31, 2000 are as follows:

	2000	1999
	($ Thousands)	
Bond index swaps	$ 1,826	$ 2,672
Interest rate swaps	1,919	1,921
	$ 3,745	$ 4,593

The fair value of swaps have been included in the determination of the fair value of the pooled investment.

(c) Summary

The following is a summary of the Commission's investment in the CDPBP as at March 31, 2000.

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund	$ 269	$ 269	$ 201	$ 201
Public fixed-income securities				
Government of Canada, direct and guaranteed	4,039	3,853	3,895	3,916
Province of Alberta, direct and guaranteed	58	57	329	339
Other provinces, direct and guaranteed	2,315	2,206	1,802	1,858
Municipal	127	120	147	145
Corporate	6,487	6,120	5,824	5,637
Private fixed-income securities				
Corporate	1,873	1,688	2,075	1,976
Total deposit and fixed-income securities	15,168	14,313	14,273	14,072
Accrued interest and accounts receivable	496	496	347	347
Accounts payable	(377)	(377)	(175)	(175)
	119	119	172	172
Total - Alberta Securities Commission	$ 15,287	$ 14,432	$ 14,445	$ 14,244
Total - Canadian Dollar Public Bond Pool	$9,141,413	$9,089,649	$7,812,035	$8,112,618

(d) Investment Returns

CDPBP uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the pool over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the return of pools with other pools of indices.

The Commission's rate of return for its investment in CDPBP during the year was 1.33% (1999: 7.31% annualized). This compares to the Scotia Capital Markets Universe Bond Index rate of return of 1.26% (1999: 6.99% annualized).

Note 7 Capital Assets

	2000			1999
	($ Thousands)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 801	$ 511	$ 290	$ 257
Furniture and equipment	443	147	296	311
Systems development costs	110	104	6	28
Leasehold improvements	860	199	661	487
	$2,214	$ 961	$ 1,253	$ 1,083

Note 8 Lease Inducement

Pursuant to a ten year lease agreement effective April 1, 1996 the Commission received from its landlord a lease inducement of $199,645 and is entitled to a further $199,645 at the beginning of year six. Amortization for each year is $40,158.

Note 9 Employee Future Benefits

(a) Public Service Pension Plan

The Commission participates in the Public Service Pension Plan (the PSPP). The expense for this pension plan is equivalent to the annual contributions of $132,424 for the year ending March 31,2000 (1999: $120,541).

(b) Registered Retirement Savings Plan

The Commission makes contributions on behalf of employees who do not participate in the PSPP to employee Registered Retirement Savings Plans. The expense for the year ending March 31, 2000 was $235,458 (1999-NIL).

(c) Retirement Plan

The Commission implemented a retirement plan for a designated executive in 1999. The provisions of the retirement plan were established pursuant to a written agreement with the designated executive in 1999. The retirement plan provides pension benefits based on a fixed schedule of payments over a fifteen year period ending in 2015. Accrued benefits are payable on the death of the designated executive. The retirement plan is not pre-funded and the benefits will be paid from the assets of the commission as they come due. The expense for the year ended March 31, 2000 was $214,000.

(d) Supplemental Pension Plan

For the year ended March 31, 2000, the Commission implemented a Supplemental Pension Plan (the Plan) for certain designated executives of the Commission. The provisions of the Plan were established pursuant to a written agreement with each designated executive in 1999.

The Plan provides pension benefits to the designated executive which are defined by reference to earnings which are in excess of the $86,111 limit imposed by the Income Tax Act on registered pension arrangements.

Pension benefits from the Plan are payable on or after attainment of age 55 and are equal to 1.75% of highest average pensionable earnings (average over five years) for each year of service with the Commission. Members of the Plan become vested in the benefits of the plan after two years of service. Accrued benefits are also payable on early retirement (with reductions), death or termination of employment of the designated executive.

An actuarial valuation of the Plan was performed by an independent actuary in September 1999. The accrued benefit liability was determined as of September 1, 1999, extrapolated to March 31, 2000.

The Plan is not pre-funded and the benefits will by paid from the assets of the Commission as they come due.

The results of the actuarial valuation as it applied to the first year of the Plan are summarized below:

Balance Sheet at March 31, 2000	
Market value of assets	$ -
Accrued benefit obligation	466,000
Unfunded obligation	466,000
Unamortized transitional obligation	305,000
Accrued benefit liability	$ 161,000

Accrued Benefit Obligation	
Accrued benefit obligation at beginning of period	$ 330,662
Service cost	106,612
Interest cost	28,726
Accrued benefit obligation at end of period	$ 466,000

Pension Expense

The pension expense for the Plan is as follows:

Service cost	$ 106,612
Interest cost	28,726
Amortization of transitional obligation	25,662
Pension Expense	$ 161,000

Actuarial Assumptions for Actuarial Valuation of the Plan

The assumptions used in the actuarial valuation of the Plan performed in September 1999 are summarized below. The discount rate was established in accordance with the yield on long corporate bonds. Other economic assumptions were established as managements best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on best estimate of the future experience of the plans.

	Plan %
Discount rate	6.5
Rate of inflation	2.0
Salary increases	3.0

Accrued Benefit Liability

	($ Thousands)
Retirement Plan	$ 214
Supplemented Pension Plan	161
	$ 375

The expense for the plans referred to in this note are recorded in the Statement of Income under salaries and employee benefits.

Note 10 Lease Obligations

Operating

Future minimum operating lease payments for premises and equipment for each of the next five years and in aggregate are as follows:

	($ Thousands)
2001	$ 967
2002	1,168
2003	1,083
2004	1,063
2005	1,047
Thereafter	1,052
Total	$ 6,380

Note 11 Budget

The members approved the Commission's 1999-2000 budget on February 16, 1999.

Note 12 Fees

Fees are comprised of:

	2000	1999
	($ Thousands)	
Distribution of Securities	$ 5,281	$ 5,067
Registrations	4,115	4,217
Annual Financial Statements	1,777	1,756
Orders	455	442
Total	$ 11,628	$ 11,482

Note 13 Other expenses

Other expenses are comprised of:

	2000	1999
	($ Thousands)	
Repairs and maintenance	$ 99	$ 45
Business consultation	93	63
Advertising	61	29
Freight and postage	60	45
Equipment rental	51	57
Other	125	73
Total	$ 489	$ 312

Note 14 Contingencies

(a) The Commission is involved in various legal proceedings arising from its regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

(b) The Commission, along with the Ontario Securities Commission and the British Columbia Securities Commission entered into a Continuing Guarantee Agreement, to guarantee the liabilities of the Mutual Fund Dealers Association of Canada with a Canadian Chartered Bank. The obligation of the Commission to the Bank is limited to $2,160,000.

Note 15 Related Party Transactions

Travel service arrangements provided by a Member's travel agency, including fees for airlines tickets - $201,859 (1999 - $53,451).

These services are provided in the normal course of operations and are measured at fair value for the services provided.

Note 16 Comparative Figures

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

Schedule 1

ALBERTA SECURITIES COMMISSION
SCHEDULE OF SALARIES AND BENEFITS

FOR THE YEAR ENDED MARCH 31, 2000

	2000				1999	
	Number of Individuals (1)	Salary (2)	Benefits and Allowances (3)	Total	Number of Individuals (1)	Total
Securities Commission Members (part-time)	8	$ 175,322	$ -	$ 175,322	6.5	$ 116,050
Chair, Securities Commission (4) (5)	0.7	$ 216,667	$ 132,437	$ 349,104	1	$ 290,466
Acting Chair and Vice Chair, Securities Commission (4)	1	163,333	19,242	182,575	1	138,606
Vice Chair, Securities Commission (4)	1	150,000	17,555	167,555	1	138,864
Executive Director (5)	1	175,000	20,861	195,861	1	153,025
Chief Financial Officer	1	130,000	17,489	147,489	1	128,874
Director, Capital Markets	1	130,000	17,035	147,035	1	119,133
Director, Enforcement	0.6	75,833	9,415	85,248	-	-
Director, Legal/Policy	0.6	78,750	10,267	89,017	-	-

(1) Number of individuals is the weighted average during the year.

(2) Salaries include regular base pay, bonuses, overtime, and lump sum payments and honoraria.

(3) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pensions, registered retirement savings plan contributions, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vacation payouts, professional memberships, tuition, and club memberships.

(4) The Chair and Vice-Chairs are full time Commission Members.

(5) Automobile provided, no dollar amount included in benefits and allowances figures.

THE ALBERTA GOVERNMENT
TELEPHONES COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Revenue, Expense and Retained Earnings
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Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Member of
The Alberta Government Telephones Commission

I have audited the consolidated balance sheet of The Alberta Government Telephones Commission as at December 31, 1999 and the consolidated statements of revenue, expense and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 17, 2000

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1999
(thousands of dollars)

	1999	1998
ASSETS		
Cash and cash equivalents (Note 3)	$ 106,679	$ 103,033
Interest and accounts receivable	9,933	3,188
Notes receivable (Note 4)	150,000	200,000
	$ 266,612	$ 306,221
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	1,678	2,994
Income taxes (Note 2(d))	36,494	37,067
Debenture debt (Note 5)	150,000	200,000
Due to the Province of Alberta (Note 6)	78,440	65,096
	266,612	305,157
Equity:		
Retained earnings	-	-
Foreign currency translation adjustments (Note 2(a))	-	1,064
	$ 266,612	$ 306,221

The accompanying notes are part of these consolidated financial statements.

On behalf of the Commission:

Peter McNeil

Chairman and Sole Commission Member

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF REVENUE, EXPENSE AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget (Note 9)	Actual	
Revenue:			
Interest on notes receivable	$ 22,362	$ 22,363	$ 32,989
Interest premium (Note 4)	581	581	909
Interest on deposits	-	260	173
Earn-out	-	-	5,520
	22,943	23,204	39,591
Expense:			
Interest on debenture debt	22,362	22,363	32,989
Foreign Exchange Loss	-	62	-
	22,362	22,425	32,989
Net revenue from operations	581	779	6,602
Net revenue from discontinued operations (Note 7)	2,000	12,565	3,573
Excess of revenue over expenditure for the year	2,581	13,344	10,175
Retained earnings at beginning of year	-	-	-
	2,581	13,344	10,175
Contribution to the Province of Alberta	(2,581)	(13,344)	(10,175)
Retained earnings at end of year	$ -	$ -	$ -

The accompanying notes are part of these consolidated financial statements.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999	1998
Operating Activities:		
Net revenue from operations	$ 779	$ 6,602
Changes in non-cash balances	(466)	251
	313	6,853
Discontinued operations (Note 7)	3,333	7,592
Cash provided by operating activities	3,646	14,445
Investing Activities:		
Decrease in notes receivable	50,000	200,000
Discontinued operations (Note 7)	-	1,894
Cash provided by investing activities	50,000	201,894
Financing Activities:		
Repayment of debenture debt	(50,000)	(200,000)
Contribution to the Province of Alberta	-	(3,000)
	(50,000)	(203,000)
Discontinued operations (Note 7)	-	(2,766)
Cash applied to financing activities	(50,000)	(205,766)
Increase in cash and cash equivalents	3,646	10,573
Cash and cash equivalents at beginning of year	103,033	92,460
Cash and cash equivalents at end of year	$ 106,679	$ 103,033

The accompanying notes are part of these consolidated financial statements.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Authority

The Alberta Government Telephones Commission (the Commission) operates under the authority of the Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended and the Alberta Government Telephones Reorganization Act, Chapter A-23.5, Statutes of Alberta 1990.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the following wholly-owned subsidiaries:

- 475342 Alberta Ltd.,
- NFI Finance, Inc.,
- NovAtel Finance, Inc.,
- Systems Finance, Inc., and
- Cellular Finance, Inc.

All subsidiaries were inactive during the year. NFI Finance, Inc. and its subsidiaries, NovAtel Finance, Inc., Systems Finance, Inc., and Cellular Finance, Inc. (all U.S companies) were wound up on December 21, 1999 (see Note 7). The assets and liabilities of NFI Finance, Inc. and its subsidiaries were distributed to the Commission. The foreign currency translation adjustment was eliminated upon wind up of NFI Finance, Inc.

All significant transactions between these companies have been eliminated.

(b) Notes Receivable

Notes receivable are stated at cost, which includes principal amounts outstanding, less provisions for losses on loans. Interest on loans is recognized as income on the accrual basis unless the loans have been classified as non-performing.

(c) Valuation of Assets and Liabilities

The assets and liabilities of the wound-up subsidiaries were settled at market value. Any gains or losses arising from revaluation of the assets and liabilities are included in the determination of excess of revenue over expense for the year.

Due to the short-term nature of cash and cash equivalents, notes receivable and debenture debt, the carrying value approximates fair value.

(d) Income Taxes

The income tax provision is management's estimate of income taxes payable for NFI Finance, Inc. and its subsidiaries after wind-up.

(e) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Foreign currency transactions are translated at the average exchange rate prevailing during the year.

Note 3 Cash and Cash Equivalents

	1999	1998
	(thousands of dollars)	
Bank deposits	$ 422	$ 894
CCITF account	67,433	63,407
Short-term deposits	38,824	38,732
	$ 106,679	$ 103,033

The Consolidated Cash Investment Trust Fund (CCITF) is a demand account managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Short-term deposits are comprised of bank certificates that are reinvested as they mature.

Note 4 Notes Receivable

	1999	1998
	(thousands of dollars)	
Notes receivable	$ 4,500	$ 6,000
Sinking fund notes (Note 5)	145,500	194,000
	$ 150,000	$ 200,000

The notes receivable were issued by TELUS Communications Inc., a subsidiary of TELUS Corporation, on October 4, 1990 pursuant to a debt reorganization agreement between the Commission, the Province of Alberta, and TELUS. The notes are comprised of residual and sinking fund notes issued in series that exactly match the Commission's debenture debt. The notes matching those Commission debentures with sinking fund requirements are referred to as sinking fund notes.

The notes bear interest at 11.8%. The rate for each series is 0.3% greater than that of the corresponding Commission debenture debt series, resulting in an interest premium of $581,000 (1998 - $909,000).

The $150 million note that matures in 2003, has an early redemption provision at TELUS's option during the period 3 years to 6 months prior to maturity. On April 11, 2000 TELUS exercised its option by providing notice that it intends to redeem all outstanding notes receivable on May 31, 2000.

The effective yield of the notes receivable equals the stated interest rate as the notes receivable are at par.

Note 5 Debenture Debt

Debentures are unconditionally guaranteed as to principal and interest by the Province of Alberta. The debenture deeds require annual sinking fund contributions of 1% of the principal amounts outstanding.

The $150 million debenture that matures in 2003, has an early redemption provision at the Commission's option during the period 3 years to 6 months prior to maturity. On April 27, 2000 the Commission exercised its option by providing notice to debenture holders that it intends to redeem all outstanding debentures on May 31, 2000.

Sinking fund notes of TELUS Communications Inc. are held by the Commission to meet the sinking fund requirements.

Debenture maturity amounts are exactly offset by notes of TELUS Communications Inc. (Note 4).

The effective yield of the debentures equals the stated interest rate as the debentures were issued at par.

Note 6 Due to the Province of Alberta

	1999	1998
	(thousands of dollars)	
Balance at beginning of year	$ 65,096	$ 57,921
Net operations:		
NFI Finance, Inc.	4,421	3,573
475342 Alberta Ltd.	8,144	-
	12,565	3,573
Net revenue from operations of the Commission	779	6,602
Payment made to the Province of Alberta	-	(3,000)
Balance at end of year	$ 78,440	$ 65,096

Pursuant to section 15 of the Telecommunications Act, the amount due to the Province of Alberta can be paid, with the approval of the Lieutenant Governor in Council, with money that the Commission determines to be surplus.

In March 2000, the Commission paid $75 million of the amount due to the Province of Alberta.

Note 7 Discontinued Operations

Divestiture of NovAtel Communications Ltd.

In 1992, the Commission's wholly-owned subsidiary, NovAtel Communications Ltd. (NovAtel) underwent significant restructuring under which it:

— disposed of the cellular systems business and European operations to third parties, and

— disposed of the business of financing companies holding cellular system licences, the majority of land and buildings and certain other assets to subsidiary companies of the Commission.

The full amount of NovAtel's bank advances and long-term debt was assumed by the Province of Alberta through subsidiary companies of the Commission.

On May 29, 1992, the Commission disposed of 100% of the shares of NovAtel Communications Ltd. to a third party. Operating and divestiture losses incurred from January 1 to May 29, 1992 amounted to $116.6 million. Net liabilities assumed by the Province of Alberta through subsidiary companies of the Commission were $244.1 million at May 29, 1992.

Remaining subsidiaries of the Commission hold assets and liabilities retained from NovAtel after divestiture. All of the Commission's subsidiaries, except 475342 Alberta Ltd., were liquidated at December 21, 1999.

	1999	1998
	(thousands of dollars)	
Operating activities:		
Net revenue from subsidiary (Note 6)	$ 12,565	$ 3,573
Provision for income taxes	(573)	4,019
Other non-cash items	(8,659)	-
Cash provided by operating activities	3,333	7,592
Investing activities:		
Decrease in loans receivable	-	424
Disposal of property held for sale	-	1,470
Cash provided by investing activities	-	1,894
Financing activities:		
(Decrease) increase in bank overdrafts	-	(2,766)
Cash applied to financing activities	-	(2,766)
Cash provided by discontinued operations	$ 3,333	$ 6,720

Note 8 Fees and Benefits

The Commission and its subsidiaries did not pay any fees or benefits to their officers or directors in 1999 and 1998. The Commission and its subsidiaries have no employees.

Note 9 Budget

The 1999 budget was approved by management on May 6, 1999.

Note 10 Comparative Figures

The 1998 figures have been reclassified where necessary to conform to 1999 presentation.

ALBERTA TREASURY BRANCHES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2000, and the consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 10, 2000

ALBERTA TREASURY BRANCHES
CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
($ in thousands)

	2000	1999	1998
ASSETS			
Cash resources (Note 2)			
Cash and non-interest bearing deposits with banks	$ 89,829	$ 88,138	$ 45,991
Interest bearing deposits with banks	557,132	500,658	550,525
Cheques and other items in transit, net	-	6,296	-
	646,961	595,092	596,516
Securities (Note 3)	630,224	468,479	611,402
Loans, net of allowances for credit losses (Notes 4 and 5)			
Residential mortgage	3,651,396	3,296,655	2,846,053
Personal	1,326,961	1,132,262	1,088,961
Credit card	94,770	39,915	34,427
Business and other	3,851,564	3,567,943	3,490,983
	8,924,691	8,036,775	7,460,424
Other			
Capital assets (Note 6)	63,616	54,171	50,843
Other assets (Notes 7, 12 and 16)	166,451	127,182	98,385
	230,067	181,353	149,228
	$10,431,943	$9,281,699	$8,817,570
LIABILITIES AND EQUITY			
Deposits (Note 8)			
Personal	$ 5,657,036	$5,226,318	$4,972,460
Business and other	4,267,590	3,795,992	3,753,605
	9,924,626	9,022,310	8,726,065
Other			
Other liabilities (Notes 5, 9, 11 and 12)	218,445	215,241	140,764
Cheques and other items in transit, net (Note 2)	8,715	-	17,285
	227,160	215,241	158,049
Subordinated debenture (Note 10)	7,519	-	-
Equity (deficit)	272,638	44,148	(66,544)
Commitments and contingent liabilities (Notes 5, 15 and 21)			
	$10,431,943	$9,281,699	$8,817,570

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2000	1999	1998
Interest income			
Loans (Note 4)	$ 644,255	$ 567,513	506,762
Securities (Note 3)	28,085	31,375	19,206
Deposits with banks	31,401	31,696	19,828
	703,741	630,584	545,796
Interest expense			
Deposits	371,561	343,652	294,643
Subordinated debenture (Note 10)	309	-	-
	371,870	343,652	294,643
Net interest income	331,871	286,932	251,153
(Recovery) provision for credit losses (Note 5)	(41,821)	3,787	(4,173)
Net interest income after (recovery) provision for credit losses	373,692	283,145	255,326
Other income			
Service charges	38,587	35,733	32,313
Credit fees	17,508	16,200	14,515
Commission and other	27,624	11,280	8,439
Card fees	7,182	5,980	5,522
Foreign exchange	3,659	4,927	4,657
	94,560	74,120	65,446
Net interest and other income	468,252	357,265	320,772
Non-interest expenses			
Salaries and employee benefits (Notes 11, 12 and 13)	111,676	119,950	120,083
Premises and equipment, including amortization	38,676	40,757	47,595
Communications and electronic processing	51,157	44,947	32,020
Restructuring costs	-	5,003	9,531
Other	38,253	35,916	26,109
	239,762	246,573	235,338
Net income	$ 228,490	$ 110,692	$ 85,434

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2000	1999	1998
Equity (deficit) at beginning of year	$ 44,148	$ (66,544)	$ (151,978)
Net income for year	228,490	110,692	85,434
Equity (deficit) at end of year	$ 272,638	$ 44,148	$ (66,544)

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2000	1999	1998
Cash flows from operating activities			
Net income	$ 228,490	$ 110,692	$ 85,434
Adjustments to determine net cash flows:			
(Recovery) provision for credit losses	(41,821)	3,787	(4,173)
Amortization	14,041	11,674	17,148
Net changes in accrued interest receivable and payable	(3,255)	7,225	10,121
Other items, net	(32,279)	(7,161)	(51,804)
	165,176	126,217	56,726
Cash flows from financing activities			
Net change in deposits	902,370	296,229	317,698
Proceeds of issue of subordinated debenture (Note 10)	7,519	-	-
	909,889	296,229	317,698
Cash flows from investing activities			
Net change in interest bearing deposit balances with banks	(56,496)	49,842	(69,208)
Purchase of investment securities	(5,100,139)	(4,540,665)	(4,869,258)
Maturity of investment securities	4,938,394	4,683,588	4,725,018
Net change in loans	(846,106)	(535,102)	(156,062)
Net purchases of capital assets	(23,486)	(15,002)	(9,453)
	(1,087,833)	(357,339)	(378,963)
Effect of exchange rate changes on cash and cash equivalents	(552)	621	269
Net change in cash and cash equivalents	(13,320)	65,728	(4,270)
Cash and cash equivalents at beginning of year	94,434	28,706	32,976
Cash and cash equivalents at end of year	$ 81,114	$ 94,434	$ 28,706
Consists of:			
Cash and non-interest bearing deposits with banks	$ 89,829	$ 88,138	$ 45,991
Cheques and other items in transit, net	(8,715)	6,296	(17,285)
	$ 81,114	$ 94,434	$ 28,706

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

($ in thousands)

Alberta Treasury Branches (ATB) is an Agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Statutes of Alberta, 1997, chapter A-37.9, proclaimed in force October 8, 1997. Under that Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. Prior to October 8, 1997, the Treasury Branches Deposits Fund operated under the authority of the Treasury Branches Act, Revised Statutes of Alberta 1980, chapter T7. Under Section 38 of the Alberta Treasury Branches Act, all property, assets, liabilities and obligations of the Treasury Branches Deposits Fund were transferred to ATB. ATB's primary business is providing financial services within Alberta.

1. Significant accounting policies

The Consolidated Financial Statements are prepared by management in accordance with generally accepted accounting principles. Comparative amounts have been reclassified where necessary to conform with the current year's presentation. The significant accounting policies followed in the preparation of these Consolidated Financial Statements are summarized below:

(a) Basis of consolidation

The Consolidated Financial Statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances of ATB and its wholly owned subsidiary, ATB Investment Services Inc., which commenced operations on October 31, 1997 for the purpose of distribution of mutual funds.

(b) Translation of foreign currencies

Assets and liabilities arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expenses related to these transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in other income in the Consolidated Statement of Income.

(c) Use of estimates

In preparing the Consolidated Financial Statements, management must make estimates and assumptions considering values of certain assets and liabilities, net income and related disclosures reported in these Consolidated Financial Statements.

(d) Specific accounting policies

Other significant accounting policies are disclosed in the following notes with the related financial disclosure.

2. Cash resources

Cash resources consist of cash, operating and investment deposits with banks and items in transit. Interest bearing deposits with banks are recorded at cost. Interest income on interest bearing deposits is recorded on an accrual basis. Cheques and other items in transit represent uncleared settlements with other banks and are recorded at cost.

If the total amount of uncleared settlements due to other banks exceeds the total amount of uncleared settlements owed to ATB, the net amount is reported under other liabilities on the Consolidated Balance Sheet.

3. Securities

Securities are reported at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying value. All securities held are investment account securities purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year of disposal. The cost or amortized cost of securities approximates the market value of securities.

All securities held mature within one year and the balances are as follows:

	2000	1999	1998
Issued or guaranteed by Canada	$ 106,853	$ 48,212	$ 82,085
Other securities	523,371	420,267	529,317
	$ 630,224	$ 468,479	$ 611,402

In the ordinary course of business ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. Securities pledged at March 31, 2000 totalled $61,600 (1999: $56,200; 1998: $13,000).

4. Loans

Loans are stated net of any unearned interest and an allowance for credit losses. Interest income is recorded on an accrual basis, except for impaired loans, which is described below.

(a) Loan fees

Loan and commitment fees are recognized as other income over the term of the loan, or over the commitment period as appropriate.

(b) Impaired loans

Loans, except for credit cards, are classified as impaired when:

- there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest,
- principal or interest payments are 90 days past due.

Credit card loans are classified as impaired and fully provided for when principal or interest payments become 180 days past due.

When a loan is classified as impaired, interest income on the loan ceases to be accrued. No portion of cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances have been reversed.

Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, and allowances for loan losses have been reversed.

Loans consist of the following:

	2000				1999	1998
	Recorded investment	Specific allowances	General allowances	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$3,652,135	$ 739	$	$3,651,396	$3,296,655	$2,846,053
Personal	1,330,234	3,273		1,326,961	1,132,262	1,088,961
Credit card	94,770	-		94,770	39,915	34,427
Agricultural	1,113,886	5,806		1,108,080	1,063,399	1,038,260
Independent business, commercial and other loans	2,897,899	42,776		2,855,123	2,644,704	2,593,425
General allowance	-	-	111,639	(111,639)	(140,160)	(140,702)
	$9,088,924	$ 52,594	$ 111,639	$8,924,691	$8,036,775	$7,460,424

Impaired loans (included in the preceding schedule):

	2000				1999	1998
	Recorded investment	Specific allowances	General allowances	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 12,087	$ 739	$	$ 11,348	$ 12,278	$ 14,571
Personal	7,067	3,273		3,794	2,966	3,930
Credit card	-	-		-	-	-
Agricultural	43,539	5,806		37,733	33,708	22,105
Independent business, commercial and other loans	59,967	42,776		17,191	66,127	271,838
General allowance	-	-	111,639	(111,639)	(140,160)	(140,702)
	$ 122,660	$ 52,594	$ 111,639	$ (41,573)	$ (25,081)	$ 171,742

The total recorded investment at March 31, 2000, in assets acquired in satisfaction of problem loans was $270, with an allowance for losses of $140 and a net realizable value of $130. (1999: $2,764; 1998: $70,568). These amounts are included in the preceding schedules.

5. Allowance for credit losses

The allowance for credit losses is maintained at a level considered adequate to absorb credit-related losses for all on and off-balance sheet items. Off-balance sheet items include loan guarantees, letters of credit, and derivative financial instruments.

The allowance for credit losses is deducted from the related asset category, except any amounts provided to cover potential losses from loan guarantees and letters of credit, which are included in other liabilities.

In establishing the net carrying value of the impaired loan portfolio, allowance has been made for potential legal actions by various borrowers. Management is of the view that it has strong defences and will vigorously defend such actions. However, previously established allowances will not be reversed until the outcome of such potential actions becomes clearer. Management is unable to estimate the amount of any such contingent gain.

(a) Specific allowances

Specific allowances on impaired loans are established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. One of the following methods is used to determine the net realizable values:

- the discounted value of estimated future cash flows,
- the fair value of any underlying security discounted to the amount recoverable in the event of realization, or
- the observable market value for the loan.

Any change in the amount expected to be recovered on an impaired loan is charged or credited to the provision for credit losses.

(b) General allowance

This allowance recognizes that not all credit losses can be specifically identified on a loan by loan basis. The general allowance is computed based on the risk rating of performing loans. It is also based on management's judgement concerning the strength of the economy.

Changes in the allowance for credit losses are as follows:

	Specific			General			Total		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Balance at beginning of year	$ 109,429	$ 101,843	$ 205,123	$ 140,160	$ 140,702	$ 46,068	$ 249,589	$ 242,545	$ 251,191
Write-offs	(19,645)	(22,100)	(50,257)	-	-	-	(19,645)	(22,100)	(50,257)
Recoveries	24,410	25,357	45,784	-	-	-	24,410	25,357	45,784
(Recovery) provision for credit losses charged to the Consolidated Statements of Income	(13,300)	4,329	(98,807)	(28,521)	(542)	94,634	(41,821)	3,787	(4,173)
Balance at end of year	$ 100,894	$ 109,429	$ 101,843	$ 111,639	$ 140,160	$ 140,702	$ 212,533	$ 249,589	$ 242,545

Specific allowances as at March 31, 2000 of $100,894 (1999: $109,429; 1998: $101,843) represent an allowance for loan losses of $52,594 (1999: $64,429; 1998: $101,843) (Note 4) and an allowance for off-balance sheet items of $48,300 (1999: $45,000; 1998: nil) (Note 9). The general allowance as at March 31, 2000 consists of a risk-based allowance of $49,905 (1999: $78,426; 1998: $78,968) and an economic general allowance of $61,734 (1999: $61,734; 1998: $61,734).

6. Capital assets

Land is recorded at cost. Buildings, equipment, software and leasehold improvements are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum life limits for the various classes are as follows:

Buildings	to 20 years
Equipment and software	to 10 years
Leasehold improvements	to 10 years

Gains and losses on the disposal or write-down of capital assets are recorded in the Consolidated Statement of Income in the year of disposal.

As at March 31, 2000, the balances are as follows:

	2000			1999	1998
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,189	$ -	$ 7,189	$ 7,338	$ 7,356
Buildings	61,590	43,808	17,782	19,312	20,360
Equipment and software	81,326	61,363	19,963	16,651	14,173
Leasehold improvements	41,773	23,091	18,682	10,870	8,954
	$ 191,878	$ 128,262	$ 63,616	$ 54,171	$ 50,843

7. Other assets

Other assets are summarized as follows:

	2000	1999	1998
Accrued interest receivable	$ 122,148	$ 106,684	$ 91,429
Other items, including accounts receivable, accrued benefit asset and prepaid items	44,303	20,498	6,956
	$ 166,451	$ 127,182	$ 98,385

8. Deposits

Repayment of all deposits, including accrued interest, is guaranteed by the Crown in right of Alberta. Beginning in the year ended March 31, 1999, a deposit guarantee fee is assessed by the Crown. For the year ended March 31, 2000, the fee was $9,925 (1999: $7,519).

Deposits are summarized as follows:

	2000				1999	1998
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 556,106	$ 1,091,769	$ 4,009,161	$ 5,657,036	$ 5,226,318	$ 4,972,460
Business and other	1,100,624	261,300	2,905,666	4,267,590	3,795,992	3,753,605
	$ 1,656,730	$ 1,353,069	$ 6,914,827	$ 9,924,626	$ 9,022,310	$ 8,726,065

As at March 31, 2000, deposits by the Province of Alberta total $46,468 (1999: $86,799; 1998: $134,441) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $45,439 (1999: $86,220; 1998: $133,691).

9. Other liabilities

Other liabilities are summarized as follows:

	2000	1999	1998
Accrued interest payable	$ 102,355	$ 90,146	$ 67,666
Allowance for credit losses on off-balance sheet items	48,300	45,000	-
Other items, including accounts payable, deposit guarantee fee payable, accrued benefit liability and other accrued liabilities	67,790	80,095	73,098
	$ 218,445	$ 215,241	$ 140,764

10. Subordinated debenture

On June 30, 1999, ATB issued a non-convertible, non-redeemable, non-transferrable subordinated debenture in the amount of $7,519. This debenture bears an interest rate of 5.475% payable semi-annually and matures on June 30, 2004. The debenture was privately placed with the Crown in right of Alberta, in respect of the ATB's liability for the cost of the deposit guarantee for the year ended March 31, 1999.

11. Pension plan developments

During this year, ATB made changes to its management employee pension plan benefit programs. Prior to January 1, 1999 ATB participated with other Alberta public sector employers in the Management Employees Pension Plan (MEPP). On November 17, 1999, ATB received legislative approval to withdraw from the MEPP, retroactive to January 1, 1999, and provide its own pension plan for management employees with benefits and entitlements that are no less favourable than the MEPP.

As a result, ATB has no continuing responsibility for the unfunded pension liability of the MEPP. The effect of withdrawal from MEPP on the current year's operations is a decrease in other liabilities of $6,257 and a corresponding decrease in non-interest expenses.

Effective January 1, 1999 ATB established a defined benefit pension plan for its management employees. The plan assumed the obligation to provide benefits to management employees in respect of pensionable service under the MEPP as well as for service after January 1, 1999.

Effective April 1, 1999 the plan was amended to provide a defined contribution option. Management employees who elected the defined contribution option had the further option to transfer the cash equivalent of their accrued entitlement under the defined benefit provisions of the plan to the defined contribution provisions. As of April 1, 1999 new management employees are only entitled to participate in the defined contribution provisions.

Effective April 1, 1999 ATB established a defined benefit supplemental pension plan. This plan provides pension benefits to selected management employees in respect of service on or after April 1, 1999. The supplemental plan pension benefits are based on pensionable earnings in excess of the limits imposed by the Income Tax Act. The supplemental plan is not funded and the benefits are paid from the assets of ATB as they come due.

12. Employee future benefits

ATB participates with other Alberta public sector employers in the Public Service Pension Plan (PSPP). The PSPP is a defined benefit pension plan which provides pension benefits for ATB's non-management employees based on years of service and earnings. ATB accounts for the cost of its participation in the PSPP on a defined contribution basis. Expenses related to this plan were $2,391 in the current year and are recorded in salaries and employee benefits.

ATB provides pension benefits to its management employees, as described in Note 11.

The cost of the defined contribution option of the pension plan is recorded based on the contributions from ATB to this option in the current year, and is included in the Consolidated Statement of Income under salaries and employee benefits. In the year ended March 31, 2000 the expense was $2,349.

The pension expense for the defined benefit option of the management pension plan and for the supplemental plan is actuarially determined by the projected pension benefit offset by the assumed investment return on the plan assets, using the management's best estimate and actuarial assumptions outlined in the following table. It is recorded in the Consolidated Statement of Income as a component of salaries and employee benefits. The difference between the pension expense and the actual cash contributions to the plan is recorded in the Consolidated Balance Sheet as part of other assets or other liabilities, as appropriate.

The following table presents information related to the defined benefit provisions of the management pension plans:

Management employees defined benefit pension plans	Pension plan	Supplemental plan
Funded status		
Assets at fair value	$ 54,448	$ -
Accrued benefit obligation	42,198	301
Plan surplus (deficit)	12,250	(301)
Unamortized initial transition asset	3,813	-
Unamortized actuarial net gain	6,959	-
Accrued benefit asset (liability)	$ 1,478	$ (301)
Reconciliation of fair value of assets		
Fair value of plan assets, beginning of year	$ 43,544	
Contributions from ATB	2,578	
Contributions from employees	1,018	
Return on plan assets	7,849	
Benefits paid	(541)	
Fair value of plan assets, end of year	$ 54,448	
Reconciliation of accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 39,307	$ -
Current service cost	2,138	291
Interest cost	2,565	10
Expected benefit payments	(1,812)	-
Accrued benefit obligation, end of year	$ 42,198	$ 301
Net pension plan expense		
Service cost, net of expected employee contributions	$ 1,139	$ 291
Interest cost	2,565	10
Expected return on plan assets	(3,711)	-
Amortization of initial transition asset	(424)	-
Net pension plan expense	$ (431)	$ 301
Actuarial assumptions used in actuarial valuations		
Discount rate	6.5%	6.5%
Return on plan assets	8.5%	8.5%
Rate of inflation	1.5%	1.5%
Salary increases	2.5%	3.5%

Actuarial valuations were performed by an independent actuary as at April 1,1999 based on the market related discount rate, and were extrapolated to March 31, 2000.

13. Disclosure of salaries and benefits

ATB is an Agent of the Crown in right of Alberta, and as such, is required to disclose the following information as per the Salary and Benefits Disclosure Directive, made by the Treasury Board, pursuant to sections 5, 6 and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations. The amounts disclosed are the amounts earned in the year. The 1999 comparative numbers have been restated to reflect amounts earned rather than amounts paid.

	2000			1999
	Salary	Benefits and allowances	Total	Total
Chairman of Board	$ 47	-	$ 47	$ 55
Board Members (15)	318	-	318	394
President and Chief Executive Officer	497	30	527	420
Executive Vice-President Branch Sales & Services	209	63	272	236
Executive Vice-President Marketing & Product Development	189	43	232	219
Senior Vice-President Credit	197	45	242	187
Senior Vice-President Electronic & Centralized Services	190	43	233	218
Chief Financial Officer	177	46	223	164

Salary includes all earned regular base pay, variable pay, bonuses, lump sum payments, honoraria, retroactive pay adjustments and any other direct cash remuneration. Accumulated vacation was paid out to the Senior Vice-President Credit (2000: $7; 1999: $4) and to the Chief Financial Officer (2000: $7; 1999: $5). These amounts are included in the salary figure.

Benefits and allowances consist of employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, Employment Insurance and Canada Pension Plan. The benefits and allowances figure also includes the cost of additional benefits such as travel allowances, club membership allowances and car allowances.

An automobile was provided for the President and Chief Executive Officer, no amount is included in the benefits and allowances figure.

14. Related party transactions

In the ordinary course of business, ATB provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties (see Note 8).

On June 30, 1999 a subordinated debenture issue was privately placed with the Crown in right of Alberta (see Note 10).

15. Commitments & contingent liabilities

(a) Credit instruments

In the normal course of business, ATB enters into various commitments to provide customers with sources of credit. These include credit commitments, letters of credit, letters of guarantee and loan guarantees.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customers. Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities. Guarantees include a loan guarantee relating to West Edmonton Mall as further disclosed Note 21.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down, and credit facilities available on a revolving basis.

These credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements. Contract amounts as at March 31 were:

	2000	1999	1998
Guarantees	$ 413,977	$ 414,372	$ 401,376
Letters of credit	2,801	9,974	10,437
Commitments to extend credit	1,765,137	1,511,451	1,405,109
	$2,181,915	$1,935,797	$1,816,922

(b) Lease commitments

ATB has obligations under long-term non-cancellable operating leases for buildings and equipment. The future minimum lease payments for each of the next five years and thereafter are:

Year ending March 31,	2001	$ 17,053
	2002	15,414
	2003	13,167
	2004	11,742
	2005	10,914
	2006 and thereafter	40,297

(c) Litigation

Various actions and legal proceedings arising from the normal course of business including the counterclaims described in Note 21 are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

16. Derivative financial instruments

ATB enters into derivative transactions in order to manage the risks associated with its interest rate exposure and other market risks. Derivative products used by ATB include interest rate swaps, interest rate caps, foreign exchange forward contracts and index-linked options and swaps.

The interest rate swaps and caps are used to manage exposures to fluctuations in interest rates in ATB's overall portfolio. The index-linked options and swaps are used to manage exposures to fluctuations in the underlying indicies arising from specific financial instruments. ATB only enters into these derivative instruments for its own account and does not act as an intermediary in this market. The net income or expense related to these derivative transactions is deferred and amortized over the term of the related agreement as an adjustment to interest income or interest expense in the Consolidated Statement of Income.

ATB also provides foreign exchange forward contracts to its customers for the purposes of meeting their needs in their day to day business.

The total amount of deferred expense at March 31, 2000 was $18,577 (1999: $9,943; 1998: $4,869) and is recorded in Other assets on the Consolidated Balance Sheet.

The derivative instruments are not included in the Consolidated Balance Sheet. Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

The notional amounts of derivative contracts are summarized as follows:

	2000			1999	1998
	Maturing within 1 year	Over 1 to 5 years	Total	Total	Total
Interest rate contracts					
Interest rate swaps	$ 175,000	$638,750	$ 813,750	$575,000	$175,000
Interest rate caps	100,000	25,000	125,000	125,000	100,000
	275,000	663,750	938,750	700,000	275,000
Index-linked contracts	89,300	184,000	273,300	227,820	193,170
Foreign exchange forward contracts	6,691	1,460	8,151	5,033	3,114
	$ 370,991	$849,210	$1,220,201	$932,853	$471,284

The current replacement cost and fair value of derivative contracts are summarized as follows:

			Current replacement cost	
2000	Notional amount	Net fair value	Favourable position	Unfavourable position
Interest rate contracts				
Interest rate swaps	$ 813,750	$12,574	$ 13,632	$ 1,058
Interest rate caps	125,000	799	799	-
Index-linked contracts	273,300	61,689	61,689	-
Foreign exchange forward contracts	8,151	9	55	46
	$1,220,201	$75,071	$ 76,175	$ 1,104
1999	$ 932,853	$12,326	$ 15,187	$ 2,861

Fair values are determined using pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value).

Current credit exposure is limited to the amount of loss that ATB would suffer if every counterparty to which ATB was exposed were to default at once, which is represented by the current replacement cost of all outstanding contracts in a favourable position. ATB attempts to limit its credit exposure by dealing with counterparties believed to be credit worthy.

17. Estimated fair value of balance sheet financial instruments

The amounts are designed to approximate the fair values of ATB's financial instruments using the valuation methods and assumptions described below. Since many of ATB's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of most of ATB's financial instruments is not adjusted to reflect changes in interest rates, as it is ATB's intention to hold the instruments to maturity.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets or intangible assets.

Estimated fair values of balance sheet financial instruments are summarized as follows:

	2000			1999			1998		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value
	$	$	$	$	$	$	$	$	$
Assets									
Cash resources	646,961	646,961	-	595,092	595,092	-	596,516	596,516	-
Securities	630,224	630,224	-	468,479	468,479	-	611,402	611,402	-
Loans	8,924,691	8,810,784	(113,907)	8,036,775	8,143,502	106,727	7,460,424	7,580,614	120,190
Other assets	166,451	166,451	-	127,182	127,182	-	98,385	98,385	-
Liabilities									
Deposits	9,924,626	9,953,354	28,728	9,022,310	9,101,963	79,653	8,726,065	8,789,712	63,647
Other	234,679	234,679	-	215,241	215,241	-	158,049	158,049	-

Fair values were determined as follows:

Short-term financial instruments

For items which are short-term in nature, the estimated fair value is equal to carrying value. These include cash resources, securities, other assets and other liabilities.

Floating rate financial instruments

For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market.

Fixed rate financial instruments

For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates.

For fixed rate deposits, fair value is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms.

18. Interest rate risk

Interest rate risk is the risk that net interest income will decrease because of an adverse movement in interest rates. The following table details the gap between interest sensitive assets and interest sensitive liabilities, based on the earlier of the repricing or maturity date of both on and off-balance sheet assets and liabilities.

2000	Within 3 months	3 - 6 months	6 - 12 months	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash	$ 89,829	$ -	$ -	$ 89,829	$ -	$ -	$ -	$ 89,829
Effective interest rate	5.36%	0.00%	0.00%	5.36%	0.00%	0.00%	0.00%	5.36%
Investments	1,032,855	121,427	33,074	1,187,356	-	-	-	1,187,356
Effective interest rate	5.39%	5.52%	6.19%	5.42%	0.00%	0.00%	0.00%	5.42%
Loans	3,448,565	500,433	643,899	4,592,897	3,691,007	38,198	602,589	8,924,691
Effective interest rate	7.95%	7.16%	7.40%	7.79%	7.18%	7.00%	8.56%	7.58%
Other	-	-	-	-	-	-	230,067	230,067
	4,571,249	621,860	676,973	5,870,082	3,691,007	38,198	832,656	10,431,943
Liabilities and Equity								
Deposits	4,778,290	324,930	1,252,028	6,355,248	2,268,970	-	1,300,408	9,924,626
Effective interest rate	4.00%	4.75%	5.14%	4.26%	5.33%	0.00%	0.06%	3.96%
Other liabilities and equity	-	-	-	-	-	-	499,798	499,798
Subordinated debenture							7,519	7,519
Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.48%	5.48%
	4,778,290	324,930	1,252,028	6,355,248	2,268,970	-	1,807,725	10,431,943
On-balance sheet gap	(207,041)	296,930	(575,055)	(485,166)	1,422,037	38,198	(975,069)	-
Derivatives used for asset/liability purposes (notional amounts)								
Pay side swaps	(175,000)	-	-	(175,000)	(638,750)	-	-	(813,750)
Effective interest rate	5.26%	0.00%	0.00%	5.26%	5.63%	0.00%		
Receive side swaps	713,750	75,000	25,000	813,750	-	-	-	813,750
Effective interest rate	5.30%	5.37%	5.69%	5.32%				
Off-balance sheet gap	538,750	75,000	25,000	638,750	(638,750)	-	-	-
Net gap	$ 331,709	$371,930	$(550,055)	$ 153,584	$ 783,287	$ 38,198	$(975,069)	-
% of assets	3.18%	3.57%	-5.27	1.47%	7.51%	0.37%	-9.35	
1999								
Net gap	$ 504,199	$173,708	$(721,767)	$ (43,860)	$ 876,614	$ 28,496	$(861,250)	$ -
% of assets	5.43%	1.87%	(7.77%)	(0.47%)	9.44%	0.31%	(9.27%)	
1998								
Net gap	$ 347,607	$277,240	$(550,641)	$ 74,206	$ 543,680	$ 279	$(618,165)	$ -
% of assets	3.94%	3.14%	(6.24%)	0.84%	6.16%	0.00%	(7.01%)	

The gap position is presented as of the close of the business day (March 31). It represents the position of ATB for that day only and may change significantly due to customer preferences and risk management policies.

Non-interest bearing accounts are reported as non-interest sensitive. Due to the current rate environment, interest bearing accounts which no longer demonstrate a direct correlation with market interest rate movements and are no longer deemed to be sensitive are reported as non-interest sensitive.

19. Credit risk

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on and off-balance sheet transactions. ATB's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The credit risk is managed to ensure diversification by limiting concentrations to single borrowers and high-risk industries. The 1994 guarantee for the West Edmonton Mall financing disclosed in Note 21 is an exception. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

20. Market segment information

ATB conducts its business through market segments that offer different products and services – deposit business, individual lending, agricultural lending and independent business lending and commercial lending. The deposit business market segment provides a wide range of deposit and investment products and sundry financial services to all clients. The lending business market segments provide a variety of credit products and services including credit cards, designed specifically for each particular group of borrowers.

Results for these market segments are based on ATB's internal financial reporting systems and are consistent with the accounting policies followed in the preparation of ATB's Consolidated Financial Statements. The assets and liabilities of the market segments are transfer-priced based on their nature and term to determine the net interest income. Non-interest expenses are currently not allocated to the business units.

		Lending business				
March 31, 2000	Deposit business	Individual	Agricultural	Independent business and commercial	Other *1	Total
Net interest income	$ 135,058	$ 69,726	$ 25,055	$ 67,251	$ 34,781	$ 331,871
Other income	31,533	4,912	1,710	11,055	45,350	94,560
Total revenue	166,591	74,638	26,765	78,306	80,131	426,431
Provision (recovery) for credit losses	-	2,060	(3,823)	(14,837)	(25,221)	(41,821)
Non-interest expenses	-	-	-	-	239,762	239,762
Net income	$ 166,591	$ 72,578	$ 30,588	$ 93,143	$(134,410)	$ 228,490
Average loans	$ -	$4,743,410	$1,062,809	$ 2,705,505	$ (55,861)	$8,455,863
Average deposits	8,210,056	-	-	-	1,373,391	9,583,447
Total assets	-	5,041,219	1,121,082	2,874,029	1,395,613	10,431,943

		Lending business				
March 31, 1999	Deposit business	Individual	Agricultural	Independent business and commercial	Other *1	Total
Net interest income	$ 125,847	$ 63,477	$ 25,286	$ 62,711	$ 9,611	$ 286,932
Other income	29,801	6,183	1,577	8,595	27,964	74,120
Total revenue	155,648	69,660	26,863	71,306	37,575	361,052
Provision (recovery) for credit losses	-	660	(680)	(40,651)	44,458	3,787
Non-interest expenses	-	-	-	-	246,573	246,573
Net income	$ 155,648	$ 69,000	$ 27,543	$ 111,957	$(253,456)	$ 110,692
Average loans	$ -	$4,134,000	$1,038,757	$ 2,397,584	$ 40,885	$7,611,226
Average deposits	7,704,447	-	-	-	1,185,610	8,890,057
Total assets	-	4,468,832	1,063,399	2,644,704	1,104,764	9,281,699

		Lending business				
March 31, 1998	Deposit business	Individual	Agricultural	Independent business and commercial	Other *1	Total
Net interest income	$ 103,750	$ 62,199	$ 24,019	$ 64,342	$ (3,157)	$ 251,153
Other income	27,398	4,921	1,592	8,217	23,318	65,446
Total revenue	131,148	67,120	25,611	72,559	20,161	316,599
(Recovery) provision for credit losses	-	(3,493)	5,691	(101,005)	94,634	(4,173)
Non-interest expenses	-	-	-	-	235,338	235,338
Net income	$ 131,148	$ 70,613	$ 19,920	$ 173,564	$(309,811)	$ 85,434
Average loans	$ -	$3,774,504	$1,006,448	$ 2,291,149	$ 290,216	$7,362,317
Average deposits	7,447,512	-	-	-	1,112,244	8,559,756
Total assets	-	3,969,441	1,038,260	2,593,425	1,216,444	8,817,570

*1 Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as revenue, expenses and general allowances for credit losses not expressly attributed to the business units. It also includes the financial implications of the West Edmonton Mall guarantee, which is not typical of normal business activities of ATB. This issue is disclosed in Note 21.

21. West Edmonton Mall loan guarantee

Under the terms of a guarantee agreement dated October 31, 1994, relating to the refinancing of West Edmonton Mall (WEM), ATB guaranteed to the Toronto Dominion Bank (TD Bank) repayment of a $353.3 million credit facility in accordance with the terms of the agreement, and in any event by October 31, 2004.

In the event that ATB is required to honour its guarantee, the net cost to ATB would be the difference between the amount then owed to the TD Bank and the proceeds from a realization or refinancing of WEM. In 1998 ATB obtained an appraisal that values WEM at $300.0 million. As a result of this appraisal, ATB has provided for a loan guarantee loss of $45.0 million, having regard to the difference between the appraised value and the amount owed to the TD Bank.

On August 25, 1998, ATB filed a Statement of Claim against the owners of WEM and others. ATB seeks to have the refinancing agreements set aside. ATB claims in the alternative that the owners of WEM have defaulted on their obligation to maintain the facility to the standard required under the loan agreements. It is management's opinion that if the facility is not properly maintained, the value of WEM could decline below $300.0 million, thereby, potentially increasing ATB's liability under its guarantee to the TD Bank. Any increase in ATB's liability under the guarantee would be charged against earnings in the year it is identified. Management believes it has taken the necessary steps to minimize ATB's exposure under the guarantee to a point where a material addition to the existing provision is unlikely.

In April and June 1998, WEM provided ATB with copies of purported agreements dated November 15, 1994, February 23, 1996 and March 25, 1996, that purport to amend the WEM refinancing agreements dated October 31, 1994. The agreements purport to extend the term of the guarantee to 2014 and to amend the terms of repayment and other provisions of the refinancing agreements. Management believes that it will be successful in its legal action to set aside these purported amending agreements and as a result no liability to them has been established.

In December 1998, and January 1999, two counterclaims were filed in this action by the owners of WEM and others against ATB. These counterclaims are for significant amounts. In the opinion of management, these counterclaims are without merit and are unlikely to result in a material loss.

ATB INVESTMENT SERVICES INC.

FINANCIAL STATEMENTS

MARCH 31, 2000

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of ATB Investment Services Inc.

I have audited the balance sheet of ATB Investment Services Inc. as at March 31, 2000, and the statements of income, changes in shareholder's deficit and cash flows for the year then ended. These financial statements are the responsibility of ATB Investment Services Inc.'s management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of ATB Investment Services Inc. as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 31, 2000

ATB INVESTMENT SERVICES INC.
BALANCE SHEET
AS AT MARCH 31

	2000	1999 Restated
ASSETS		
Cash	$ 100,000	$ 100,000
Prepaid expenses	80,300	68,200
Total assets	$ 180,300	$ 168,200
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Liabilities		
Due to ATB (Note 3)	818,180	458,863
Subordinated note (Note 4)	99,000	99,000
	917,180	557,863
Shareholder's deficit		
Share capital (Note 5)	1,000	1,000
Deficit	(737,880)	(390,663)
	(736,880)	(389,663)
Total liabilities and shareholder's deficit	$ 180,300	$ 168,200

The accompanying notes are an intergral part of these financial statements.

J. G. Millard Director	R. J. Normand Director

ATB INVESTMENT SERVICES INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31

	2000	1999 Restated
Commission income	$ 269,807	$ 119,722
Total income	$ 269,807	$ 119,722
Administrative and selling expenses		
Salaries & employee benefits	$ 141,103	$ 101,710
Professional and training	199,892	105,150
Processing & selling (Note 6)	120,912	84,285
Other	113,970	39,628
	575,877	330,773
Interest expense	41,147	6,695
Total expenses	$ 617,024	$ 337,468
Net loss	$ 347,217	$ 217,746

ATB INVESTMENT SERVICES INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT
FOR THE YEAR ENDED MARCH 31

	2000	1999 Restated
Share capital	$ 1,000	$ 1,000
Deficit		
Deficit at beginning of year	390,663	172,917
Net loss for the year	347,217	217,746
Deficit at end of year	$ 737,880	$ 390,663
Total shareholder's deficit	$ 736,880	$ 389,663

ATB INVESTMENT SERVICES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2000	1999 Restated
Cash flows from operating activities		
Net loss	$ (347,217)	$ (217,746)
Adjustments to determine net cash from operating activities:		
Increase in assets	(12,100)	(68,200)
Increase in liabilities	359,317	285,946
Net change in cash	-	-
Cash at beginning of year	100,000	100,000
Cash at end of year	$ 100,000	$ 100,000

ATB INVESTMENT SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

ATB Investment Services Inc. (ATBIS) is a wholly owned subsidiary of Alberta Treasury Branches (ATB), established for the purpose of distributing mutual funds to customers of ATB. ATBIS was incorporated under the Business Corporations Act (Alberta) on October 3, 1997, by the Provincial Treasurer on behalf of the Treasury Branches Deposits Fund. The incorporation was approved by the Lieutenant Governor in Council under Alberta Order in Council 407/97, dated September 24, 1997.

Note 1 Significant Accounting Policies

The financial statements are prepared by management in accordance with generally accepted accounting principles.

Use of estimates

In preparing the financial statements, management makes estimates and assumptions considering values of certain assets and liabilities, net income and related disclosures reported in these financial statements.

Note 2 Correction of Prior Period Financial Statements

In 1999, ATBIS recorded the registration fee expense when paid rather than when consumed, which resulted in an overstatement of expenses and the net loss in the amount of $68,200, and in an understatement of current assets by the same amount.

Additionally, in the 1999 financial statements the cost of insurance was not included, which resulted in an understatement of expenses, the net loss, and the amount due to ATB in the amount of $14,000.

The financial statements for the 1999 year have been restated, and the net effect of these corrections is a reduction of $54,200 to expenses and to the net loss, an increase of $14,000 to the amount due to ATB, and an increase of $68,200 to prepaid expenses.

Note 3 Due to ATB

In the normal course of operations, ATB pays expenses and collects revenues on behalf of ATBIS. These amounts are duly recorded on both ATB's and ATBIS's accounts. ATB management has agreed to defer the settlement of these amounts until such time when ATBIS generates adequate revenues to enable it to pay its obligations to ATB. The amounts due to (from) ATB at March 31 are as follows:

	2000	1999
Due to ATB	$ 1,215,182	$ 586,058
Due from ATB	(397,002)	(127,195)
	$ 818,180	$ 458,863

The net amount due to ATB is subject to interest charges at ATB's prime lending rate. Interest was charged starting April 1, 1999.

Note 4 Subordinated Note

The subordinated note held by ATB, is secured by a floating charge on all the assets of ATBIS, and bears interest at prime lending rate of ATB payable annually. The subordinated note has no specified maturity date, is repayable upon demand of ATB, and the redemption is subject to the prior approval of the Alberta Securities Commission. The principal balance as at March 31, 2000 was $99,000 (1999: $99,000).

Note 5 Share Capital

Authorized

An unlimited number of Class A voting common shares without nominal or par value.

An unlimited number of Class B non-voting common shares without nominal or par value.

An unlimited number of 10% non-cumulative redeemable non-voting preferred shares without nominal or par value.

Issued	
100 Class A voting common shares for cash	$ 1,000

Note 6 Indirect Costs

In addition to direct costs, there are some indirect costs for employees of ATB who performed administrative and selling services on behalf of ATBIS. Where readily determinable, these costs have been charged back to ATBIS. The amount charged for the year ending March 31, 2000, is $120,912 (1999: $84,285), and is included in processing selling expense in the Statement of Income.

Beginning this year, ATB has made available a self-contained office space to ATBIS. The cost for the space has been allocated on a pro-rata basis and charged back to ATBIS. The amount charged for the current year is $32,054, and is included in other expenses in the Statement of Income.

The charges for employee services and accommodation approximate market values.

Note 7 Comparative Amounts

Comparative amounts have been reclassified where necessary to conform with the current year's presentation.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION FINANCIAL STATEMENTS

DECEMBER 31, 1999

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Directors of the
Credit Union Deposit Guarantee Corporation

I have audited the balance sheet of the Credit Union Deposit Guarantee Corporation as at December 31, 1999 and the statements of income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 24, 2000

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

BALANCE SHEET

DECEMBER 31, 1999
(thousands of dollars)

	1999	1998
ASSETS		
Cash	$ 1,219	$ 1,001
Investments (Note 3)	73,967	70,150
Accrued interest receivable	598	573
Due from credit unions	1,613	1,466
Loans receivable	225	278
Other assets (Note 4)	1,033	1,072
Capital assets (Note 5)	141	110
	$ 78,796	$ 74,650
LIABILITIES		
Accounts payable and accrued liabilities	$ 258	$ 314
Accrual for financial assistance (Note 6)	4,900	5,515
Deferred revenue	770	895
Amounts due to and investment in S C Financial Ltd. (Note 7)	5,809	5,406
Long-term unclaimed credit union balances payable	385	49
	12,122	12,179
Commitments and Contingencies (Note 9)		
EQUITY		
Deposit Guarantee Fund (Note 3)	64,292	60,167
Master Bond Fund	2,382	2,304
	66,674	62,471
	$ 78,796	$ 74,650

The accompanying notes and schedules are part of these financial statements.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENTS OF INCOME AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Deposit Guarantee Fund			
Revenues:			
Interest	$ 3,771	$ 3,128	$ 4,532
Deposit guarantee assessments	8,390	8,681	8,412
Recovery of special assistance (Note 8)	131	140	151
	12,292	11,949	13,095
Expenses:			
Interest and bank charges	23	33	23
Provision for (recovery of) financial assistance (Note 6)	764	(810)	1,149
Special contribution (Note 7)	5,586	5,810	5,409
Administration (Schedule 1)	3,052	2,692	2,596
	9,425	7,725	9,177
Income before income taxes	2,867	4,224	3,918
Income taxes (Note 10)	317	99	533
Net income for the year	2,550	4,125	3,385
Equity at beginning of year	59,928	60,167	56,782
Equity at end of year	$ 62,478	$ 64,292	$ 60,167
Master Bond Fund			
Revenues:			
Insurance Assessments	$ 867	$ 500	$ 582
Interest	114	132	132
	981	632	714
Expenses:			
Insurance premium	586	416	522
Administration	150	145	150
Insurance claims paid (recovered)	216	(7)	40
	952	554	712
Net income for the year	29	78	2
Equity at beginning of year	2,280	2,304	2,302
Equity at end of year	$ 2,309	$ 2,382	$ 2,304

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Operating activities			
Assessments received	$ 9,153	$ 8,910	$ 8,946
Interest received	3,846	3,138	4,513
Financial assistance recoveries (paid)	(499)	195	(1,499)
Loan principal and interest recovered	24	150	242
Special assistance received	131	140	151
Insurance claims recovered (paid)	(216)	7	(40)
Interest and bank charges paid	(24)	(33)	(23)
Income taxes paid	(286)	(74)	(1,252)
Paid to suppliers and employees	(2,942)	(2,909)	(3,246)
Special contribution paid	(5,243)	(5,407)	(4,895)
Cash flows from operating activities	3,944	4,117	2,897
Investing activities			
Purchase of investments, net	(3,832)	(3,818)	(2,802)
Purchase of capital assets	(112)	(81)	(38)
Cash flows from investing activities	(3,944)	(3,899)	(2,840)
Net increase in cash	-	218	57
Cash at beginning of year	1,501	1,001	944
Cash at end of year	$ 1,501	$ 1,219	$ 1,001

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Authority and purpose

The Credit Union Deposit Guarantee Corporation (the "Corporation"), operates under the authority of the Credit Union Act, Chapter C-31.1, Statutes of Alberta, 1989, as amended. The Corporation guarantees the repayment of all deposits with Alberta credit unions including accrued interest. The Credit Union Act provides that the Province of Alberta (Province) will ensure that this obligation of the Corporation is carried out. As at December 31, 1999 credit unions in Alberta held deposits totalling $5,118,771,000. Supervised credit unions receive assistance, support and direction in planning, policy and operational matters from the Corporation.

In 1986, S C Financial Ltd. was incorporated under the Alberta Business Corporations Act for the purpose of providing $335,000,000 of deficit financing assistance to credit unions under supervision. All of the outstanding shares of S C Financial Ltd. are held by the Corporation (Notes 2(c) and 7).

The Corporation guarantees the interest on the S C Financial Ltd. Debentures issued in exchange for Stabilization Preferred Shares of the credit unions and the interest is funded by the Province pursuant to its indemnification. Accordingly, the obligation of the Corporation pursuant to its guarantee is not reported in these financial statements.

Note 2 Significant accounting policies and reporting practices

(a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles.

These financial statements reflect separate funds: a Deposit Guarantee Fund and a Master Bond Fund.

The Deposit Guarantee Fund enables the Corporation to guarantee the repayment of all deposits with credit unions, its primary objective. The Deposit Guarantee Fund's statement of income includes assessments received from credit unions, assistance payments recorded on behalf of credit unions, as well as all other revenues and expenses related to the primary objective.

The Master Bond Fund provides insurance coverage to credit unions under a policy administered by the Corporation. A credit union may claim a maximum of $100,000 for directors liability claims and $85,000 for other claims, less its deductible, which is payable out of the Master Bond Fund; a reinsurance policy insures the amount of the claim that exceeds $100,000 or $85,000 respectively. The Master Bond Fund's statement of income includes insurance assessments received from credit unions, interest income, premiums paid for the reinsurance policy, administration fee, and insurance claims paid (recovered).

The Corporation may use all of its assets to support its primary objectives.

(b) Use of estimates

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles and necessarily include estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant areas requiring the use of estimates are the accrual for financial assistance, provision for (recovery of) financial assistance, allowance for loan impairment and Master Bond Fund insurance claims (expected and unreported). The Corporation reviews these estimates annually. Actual amounts may differ significantly from those estimates depending upon certain future events and uncertainties.

(c) Non-consolidation of S C Financial Ltd.

S C Financial Ltd. has not been consolidated in these financial statements since increases or decreases in the equity of S C Financial Ltd. do not accrue to the benefit of the Corporation.

(d) Cash

Daily cash balances are maintained in the Consolidated Cash Investment Trust Fund. The Consolidated Cash Investment Trust Fund is administered by the Provincial Treasurer with the objective of providing competitive interest income to account holders while maintaining maximum security and liquidity of account holders' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings in the portfolio.

(e) Investments

Investments are carried at cost or amortized cost, with any discount or premium amortized on a straight-line basis over the life of the investments. Investments are written down when there is a decline in value that is other than temporary. Gains and losses on disposal of investments are included in interest revenues in the year of disposal. Substantially all securities held are purchased with the intention to hold them to maturity.

(f) Loans receivable

Impaired loans acquired as a result of credit union merger or dissolution proceedings are recorded at estimated net realizable value. As future cash flows cannot be determined with reasonable reliability, estimated net realizable values are based on the fair value of security underlying the loans, net of expected costs of realization and disposal. Annually, management reviews the adequacy of the allowance for loan impairment on a loan-by-loan basis and adjusts the allowance to an amount considered adequate to provide for expected loan losses. No portion of cash received on an impaired loan is recorded as interest income until such time as any allowances have been reversed and the principal has been fully recovered.

Foreclosed assets held for sale are valued at the lower of the principal portion of the loan and market value adjusted for any revenues received and expenses incurred subsequent to foreclosure less estimated costs of disposition.

(g) Capital assets

The following rates are designed to amortize the cost of capital assets over their estimated useful lives:

Furniture and equipment	five year straight-line
Computer equipment	30 per cent declining-balance
Computer software	one year straight-line
Leasehold improvements	straight-line over lease term

(h) Income taxes

The Corporation records income taxes based on the tax liability method. Therefore, future income taxes are recognized based on the tax effects that will arise if an asset is realized or a liability is settled for its carrying amount.

(i) Insurance claims

The Corporation estimates and accrues the Master Bond Fund's share of losses from any reported claims. It makes an additional accrual of the estimated losses from unreported claims based on the last three years' average actual loss experience.

(j) Accrual for financial assistance

The Corporation recognizes financial assistance to specific credit unions as an expense when the need for assistance becomes likely and it can reasonably estimate the amount.

Additionally, an accrual for financial assistance is established by assessing the aggregate risk in the credit union system based on existing capital available in individual credit unions, current and anticipated market and economic conditions, the likelihood of losses, and the application of historic loss experience. It reflects management's best estimate of the losses arising from the inherent risk in the credit union system. Future economic conditions are not predictable with certainty and actual losses may vary significantly from management's estimate.

(k) Fair value of financial instruments

Most financial instruments are valued at their carrying amounts included on the balance sheet, which are reasonable estimates of fair value. This approach applies to cash, accrued interest receivable, due from credit unions, loans receivable, accounts payable and accrued liabilities, accrual for financial assistance, amounts due to and investment in S C Financial Ltd. and long-term unclaimed credit union balances payable. The fair values of investments are disclosed in Note 3.

Note 3 Investments

	1999		1998	
	Cost	Market Value[2]	Cost	Market Value[2]
	(thousands of dollars)		(thousands of dollars)	
Securities issued or guaranteed by:				
Canada	$ 35,198	$ 34,596	$ 40,399	$ 41,287
Provinces	17,679	17,187	21,673	21,888
Other	21,090[1]	20,543	8,078[1]	8,075
Total	73,967	72,326	70,150	71,250

[1] These securities include shares of Credit Union Central of Alberta Ltd. ($100,000) and Co-operative Trust Company of Canada ($15,000), which approximate market value and have no specific term to maturity.

[2] Market value is calculated using independent pricing sources and Canadian investment dealers.

The investment portfolio is managed by external managers with the objective of providing investment returns higher than the total return of the applicable Scotia Capital Markets All-Government indices over a four year period. The portfolio is comprised of high quality Canadian fixed income and debt related instruments. Competitive investment returns are achieved through management of the portfolio duration and holdings.

As at December 31, 1999, securities held have an average effective yield of 6.22% per annum based on market (1998 – 4.94%); 5.69% per annum based on book (1998 – 5.28%). These securities have the following term structure based on par: under one year - 7% (1998 – 11%); over one year and under five years - 62% (1998 – 45%); over five years and under ten years - 31% (1998 – 44%).

The market value of the investments is subject to fluctuation as a result of normal market risk. The principle factor influencing the market value is the prevailing rate of interest. An increase of 1 per cent in interest rates will result in a decrease of approximately $716,000 (1998 - $692,000) in the market value of the total investments; and conversely, a decrease of 1 percent in interest rates will result in an increase in the market value of the same amount.

Note 4 Other assets

	1999	1998
	(thousands of dollars)	
Prepaid expenses	$ 617	$ 567
Income taxes recoverable	324	388
Future income taxes recoverable (Note 10)	92	117
	$ 1,033	$ 1,072

Note 5 Capital assets

	1999	1998
	(thousands of dollars)	
Furniture and equipment	$ 410	$ 382
Computer equipment	292	262
Computer software	42	36
Leasehold improvements	63	63
	807	743
Less: Accumulated amortization	(666)	(633)
Net book value	$ 141	$ 110

Note 6 Accrual for financial assistance

To fulfill the mandate described in Note 1, the Corporation assists credit unions experiencing financial difficulties when and as required. The Corporation monitors credit unions experiencing financial difficulty and has a contingent responsibility to provide further financial assistance the amount of which, if any, is undeterminable at this time.

The book value of the accrual for financial assistance approximates its fair value as it represents the Corporation's best estimate of the future amounts to be paid.

	1999	1998
	(thousands of dollars)	
Accrual for financial assistance:		
Balance at beginning of year	$ 5,515	$ 5,865
Provision for (recovery of) financial assistance	(605)	1,075
(Paid) during year	(10)	(1,425)
Balance at end of year	$ 4,900	$ 5,515
Provision for (recovery of) financial assistance:		
Financial assistance (recoveries of), net of loan loss provisions (recoveries of)	$ (605)	$ 74
Provision for (recovery of) financial assistance	(205)	1,075
Provision for (recovery of) financial assistance	$ (810)	$ 1,149

Note 7 Amounts due to and investment in S C Financial Ltd.

	1999	1998
	(thousands of dollars)	
Balance at beginning of year	$ 5,406	$ 4,892
Payment of previous year's special contribution	(5,406)	(4,892)
Special contribution current year	5,810	5,409
Special assistance due	-	(2)
	5,810	5,407
Shares	(1)	(1)
Balance at end of year	$ 5,809	$ 5,406

A special contribution is an annual amount payable by the Corporation under the Credit Union Restructuring Agreement. It is equal to 0.11 per cent of credit union deposits and borrowings and is payable to S C Financial Ltd., as directed by the Province, until the year 2010.

Note 8 Recovery of special assistance

In 1989, the Corporation provided deficit assistance to supervised credit unions totalling $12,524,000. It may recover portions of this assistance based on a percentage of the credit unions' annual net income plus patronage allocations less investment share dividends, both net of tax. The credit unions repaid $140,000 during the year (1998 - $151,000) and $2,716,000 to date.

Note 9 Commitments and contingencies

(a) Lease commitments

The Corporation is committed to a non-cancellable operating lease for business premises totalling $187,000.

The following amounts represent minimum payments over the next two years:

2000	$ 160,000
2001	27,000

(b) Litigation

There are legal proceedings pending against the Corporation which arise from normal business activities. Management of the Corporation believes that the financial cost of resolution of these proceedings will not be material to the financial position of the Corporation.

Note 10 Income Taxes

The Corporation is a deposit insurance corporation for income tax purposes. Its taxable income excludes assessments and financial assistance recoveries and no deduction may be made for financial assistance, insurance premiums, claims, or special contributions paid on behalf of member credit unions.

The Corporation's statutory income tax rate is 28%. Income taxes differ from the expected result that would have been obtained by the combined federal and provincial tax rate to income before income taxes, for the following reasons:

	1999	1998
	(thousands of dollars)	
Expected income taxes at the statutory rate	$ 1,205	$ 1,098
Non-taxable assessments received	(2,571)	(2,518)
Non-deductible assistance paid	-	322
Non-deductible special contribution paid	1,627	1,515
Non-deductible insurance premiums paid	115	160
Non-taxable assistance recoveries	(266)	(42)
Other	(11)	(2)
Income taxes	$ 99	$ 533

At December 31, 1999 the Corporation had tax values of capital assets in excess of related book values of approximately $329,000 (1998 - $418,000), which are reflected in these financial statements as future income taxes recoverable.

	1999	1998
	(thousands of dollars)	
Current income taxes	$ 74	$ 495
Future income taxes	25	38
Income taxes	$ 99	$ 533

Note 11 Directors' and management remuneration

	1999			1998
	Director Fees or Salary(1)	Benefits(2) and Allowances	Total	Total
		(thousands of dollars)		
Chair(4)	$ 29	$ -	$ 29	$ 33
Board Members(4)	48	-	48	48
Chief Executive Officer	$ 142	$ 24	$ 166	$ 156
Senior management:				
Chief Financial Officer	93	16	109	105
Senior Manager, Operations(5)	79	9	88	84
Senior Manager, Credit(3)	78	8	86	25
Manager, Examinations	68	8	76	73
Former senior management:				
Senior Manager, Credit(3)	$ -	$ -	$ -	$ 58

1 Salary includes regular base pay, bonuses and vacation payouts.

2 Employer's share of all employee benefits and contributions made on behalf of employees including Canada Pension Plan, Employment Insurance, group Registered Retirement Savings Plan, health care, dental coverage, vision coverage, medical benefits including out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability, professional and club memberships, staff fund and automobile allowances.

3 The 1998 amount represents the period September 1 to December 31 for the current incumbent and the period January 1 to August 31 for the former incumbent.

4 The Chair and Board Members are paid on a per diem basis for preparation and meeting time. The Deputy Provincial Treasurer is a Board Member but receives no remuneration from the Corporation.

5 Salary for 1999 includes vacation payout of approximately $3,000.

Note 12 1999 Budget

The 1999 budget was approved by the Board of Directors on September 29, 1998.

Note 13 Comparative Figures

The 1998 figures have been restated where necessary to conform to 1999 presentation.

Note 14 Uncertainty due to year 2000 issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than the date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

Note 15 Approval of financial statements

The Board of Directors has approved these financial statements.

Schedule 1

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Deposit Guarantee Fund			
Salaries and benefits	$ 2,250	$ 2,118	$ 2,102
Staff travel	206	158	164
Rental charges	159	158	128
Office	135	98	97
Professional fees	102	84	70
Board and committee fees	118	77	81
Other	127	77	50
Amortization	70	51	38
Board and committee expenses	35	16	16
	3,202	2,837	2,746
Allocation to Master Bond Fund	(150)	(145)	(150)
	$ 3,052	$ 2,692	$ 2,596

N.A. PROPERTIES (1994) LTD.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Operations and Deficit
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of N.A. Properties (1994) Ltd.

I have audited the consolidated balance sheet of N.A. Properties (1994) Ltd. as at March 31, 2000 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 3, 2000

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2000
(thousands of dollars)

	2000	1999
ASSETS		
Cash and cash equivalents (Note 4)	$ 2,896	$ 3,719
Accounts receivable	21	13
Mortgages and note receivable (Note 5)	6	201
Real estate property	1	1
Prepaid expenses	2	2
	2,926	3,936
Investment in Defeasance Fund (Note 6)	127,188	115,550
	$ 130,114	$ 119,486
LIABILITIES		
Obligations under indemnities and commitments (Note 9)	$ 1,692	$ 3,033
Accounts payable	300	307
	1,992	3,340
Present value of future obligations (Note 6)	127,188	115,550
	129,180	118,890
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Share capital (Note 8)	5,769	5,769
Deficit	(4,835)	(5,173)
	934	596
	$ 130,114	$ 119,486

The accompanying notes ase part of these financial statements

On behalf of the Board:

Director - Peter NcNeil

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 2000
(thousands of dollars)

	2000 Actual	1999 Actual
Revenue		
Interest and other	$ 216	$ 222
Rental	24	29
	240	251
Expenses		
Indemnity (Note 2)	260	-
General and administrative	57	93
Rental operating expense	39	43
Write down of note receivable	-	12
	356	148
Operating income (loss) before provision	(116)	103
Recovery of provision (Note 9)	454	1,724
Excess of revenue over expenses for the year	338	1,827
Deficit, beginning of year	(5,173)	(7,000)
Deficit, end of year	$ (4,835)	$ (5,173)

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2000
(thousands of dollars)

	2000	1999
Net inflow (outflow) of cash related to the following activities:		
Operating		
Gain for the year	$ 338	$ 1,827
Items not affecting cash:		
Recovery of provision (Note 9)	(454)	(1,724)
Write down of note receivable	-	12
	(116)	115
Mortgages		
Principal reductions	650	1,935
Mortgages sold	-	615
Net change in non-cash balances related to operations	(1,357)	103
Net (decrease) increase in cash during the year	(823)	2,768
Cash and cash equivalents, beginning of year	3,719	951
Cash and cash equivalents, end of year	$ 2,896	$ 3,719

N.A. PROPERTIES (1994) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Authority

N. A. Properties (1994) Ltd. (the Company) was continued on March 31, 1994 as an amalgamated corporation under the Business Corporation Act, Chapter B-15, Statutes of Alberta 1981, as amended. All issued shares of the Company are owned by the Province of Alberta and accordingly the Company is exempt from income tax.

Note 2 Nature of Operations

The Company's mandate is to dispose of all real estate properties, mortgages and accounts receivable held. The Company also has a long term obligation to administer the Defeasance Fund described in Note 5.

The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company in its mandate of disposing of its assets.

There were no recoveries from the Province of Alberta in partial satisfaction of the indemnity in the year (1999-NIL).

Note 3 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and within the framework of the accounting policies summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 356395 Alberta Ltd., and Terra Losa Centre Ltd. Separate audited financial statements have not been prepared for these subsidiaries as disclosure in these financial statements is adequate.

Mortgages

Mortgages are stated at cost, which includes amounts advanced, interest capitalized, accrued taxes and other charges, less repayments and an allowance for anticipated losses. Where a mortgage or loan bears interest at a rate below the prevailing market at the date of real estate property sale, a discount is recorded which is amortized into income over the term of the mortgage.

Real Estate Properties

The real estate property is stated at the lower of cost and estimated market value.

Investment in Defeasance Fund

Investments consist of bond coupons and residuals and are stated at cost with any discount or premium amortized on the basis of the underlying yield to maturity. Carrying values of investments are written down when there is a permanent impairment in value.

Revenue Recognition

Gains or losses on the sale of real estate properties are determined as the excess or deficiency of the proceeds of disposition over the carrying value of the disposed properties. Gains are recorded in income on disposal except in instances where a significant portion of the proceeds is not received in cash. In such circumstances, gains are deferred and recorded in income when significant cash proceeds are received.

Fair Value

The carrying value of cash, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of other financial assets and liabilities are provided in the applicable notes to the financial statements.

Note 4 Cash and Cash Equivalents

	2000	1999
	(thousands of dollars)	
Book deposits	$ 133	$ 160
CCITF Account	2,763	-
Short-term deposits	-	3,559
	$ 2,896	$ 3,719

The Consolidated Cash Investment Trust Fund (CCITF) is a demand account managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Short-term deposits are comprised of bank certificates that are reinvested as they mature.

Due to the short-term nature of cash and cash equivalents, the carrying value approximates fair value.

Note 5 Mortgages and Note Receivable

The non-interest bearing note receivable in the amount of $933,000 was issued in November 1987 and matures in the year 2027. The carrying value of the note receivable as at March 31, 2000 is $6,000 (1999 - $5,000). The note receivable is discounted by 20% based on the yield in effect at the time of issuance and adjusting the rate for a risk premium. The fair market value of the note at March 31, 2000 is estimated to be $16,000 (1999 – $16,000) using the current interest rate in effect and adjusting the rate for a risk premium. The company had one mortgage at March 31, 2000 with a nil carrying value (1999 - $196,000).

Note 6 Investment in Defeasance Fund/Present Value of Future Obligations

The Fund consists of Government of Canada and provincial bond coupons and residuals which, together with the income earned thereon, is expected to accumulate to the sum not less than $335,000,000 on October 31, 2010. At that time, the Fund will be used to repay the principal of any outstanding debentures issued to credit unions under the terms of the Credit Union Deficit Financing Agreement dated October 31, 1986 and any excess will be paid to the Province. Credit Union Deposit Guarantee Corporation (CUDGC) will be responsible for any deficiency in the Fund.

As the income earned on these investments in the amount of $11,638,000 (1999 $10,580,000) does not accrue to the benefit of the Company, but rather to the benefit of the holders of the debentures and the Province, it is not included in income. Investments mature in the years 2009 and 2010 and the yield on the portfolio is approximately 9.78%. The fair value of the Defeasance Fund at March 31, 2000 is estimated to be $178,408,000.

Present Value of Future Obligations

Based on repayments of debentures by S C Financial Ltd. (SCF), a wholly-owned subsidiary of CUDGC, up to and including the Credit Unions' October 31, 1999 year end, the future obligations at October 31, 2010 would be $301,678,000 to the credit unions and the excess would be paid to the Province. These amounts will change based on future repayments of debentures through to October 31, 2010.

Interest on these debentures is at a rate per annum equal to the lesser of 14% and prime, and is payable by SCF.

Note 7 Indemnities and Commitments

The Company has provided indemnities of principal and interest on mortgages sold to a Canadian chartered bank. The principal and interest on these mortgages totaled $23,338,000 at March 31, 2000 (1999 - $32,882,000). The Company's indemnities expire in part in 2001, 2002, 2003, 2016 and in full in 2017.

The Company is obligated for monthly land lease payments and annual property taxes on the leased property, until the year 2018. The Company, in turn, leases the land to tenants.

Note 8 Share Capital

Authorized
- Unlimited number of Class "A" voting shares
- Unlimited number of Class "B" voting shares
- Unlimited number of Class "C" non-voting shares
- Unlimited number of Class "D" non-voting shares
- Unlimited number of Class "E" voting shares
- Unlimited number of Class "F" non-voting shares

		2000	1999
		(thousands of dollars)	
Issued			
1	Class "A" share	$ 5,768	$ 5,768
1,000	Class "B" shares	1	1
		$ 5,769	$ 5,769

Note 9 Recovery of Provision

The provision for obligations under indemnities and commitments (Note 6) is based on an estimate of future costs to settle those obligations. Mortgage provisions have been determined based on an estimated value of security held for the mortgage, repayment performance and foreclosures. The accounts receivable provision is based on the estimated recoverable value of the receivables.

The table below shows the recovery in the provision during the year.

	2000	1999
	(thousands of dollars)	
Obligations for indemnities and commitments	$ -	$ 485
Mortgage provisions - net of recoveries	454	1,216
Accounts receivable	-	23
	$ 454	$ 1,724

Note 10 Contingencies

During the year, the Company had lawsuits filed by plaintiffs in two separate actions. An estimate of the loss to the company cannot be made.

Note 11 Related Party Transactions

There were no related party transactions in the year ended March 31, 2000.

Note 12 Fees and Salaries

There were no directors' fees or salaries paid during the year. The Company had no employees in 2000 and 1999.

Note 13 Budget

The Company's 1999-00 annual budget appears in the 1999-2000 Government and Lottery Fund Estimates. The budget projected a net expense for the year of $100,000. Since the company has liquidated most of its assets, a detailed budget was not prepared.

S C FINANCIAL LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report

Balance Sheet

Statement of Income

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

The Shareholder of S C Financial Ltd.

I have audited the balance sheet of S C Financial Ltd. as at December 31, 1999 and the statement of income for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 18, 2000

S C FINANCIAL LTD.
BALANCE SHEET
DECEMBER 31, 1999
(thousands of dollars)

	1999	1998
ASSETS		
Cash	$ 1	$ 1
Stabilization Preferred Shares (Note 3)	-	-
	$ 1	$ 1
SHAREHOLDER'S EQUITY		
Share Capital		
Authorized - Unlimited number of Class A shares		
Issued - 10 Class A shares	$ 1	$ 1
	$ 1	$ 1

The accompanying notes are part of these financial statements.

Approved on behalf of the Board:

J. Laitner, Director

R.A. Splane, Director

S C FINANCIAL LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1999
(thousands of dollars)

	1999		1998
	Budget	Actual	Actual
Revenue:			
Recovery on indemnity from the Province of Alberta (Note 3)	$ 17,276	$ 13,901	$ 14,727
Special contribution from Credit Union Deposit Guarantee Corporation (Note 1 and 4)	5,586	5,810	5,409
	22,862	19,711	20,136
Expense:			
Interest on debentures (Note 3)	22,862	19,711	20,136
Net income for the year	$ -	$ -	$ -

S C FINANCIAL LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Authority and Purpose

S C Financial Ltd. (the Company) was incorporated on May 29, 1986 under the Alberta Business Corporations Act, as a wholly-owned entity of the Credit Union Deposit Guarantee Corporation (CUDGC), a Provincial Corporation. The Company is a deposit insurance corporation by virtue of it being a wholly-owned entity of a deposit insurance corporation. Accordingly, it is treated as such for income tax purposes.

Pursuant to the Credit Union Deficit Financing Agreement, the Company provided deficit financing assistance to supervised credit unions. In 1986, Stabilization Preferred Shares Series B were issued by credit unions to the Company in exchange for debentures totalling $335,000,000. CUDGC provided funds to the Company to purchase investments which will accumulate to $335,000,000 at October 31, 2010 in order to repay debentures outstanding and the balance to the Province of Alberta (Province) at that date (Note 3). Pursuant to an agreement, the Company transferred the investments to N.A. Properties (1994) Ltd. (wholly-owned by the Province). In exchange, N.A. Properties (1994) Ltd. assumed the Company's obligation totalling $335,000,000.

In 1989, CUDGC contributed $12,524,000 to the Company to provide cash deficit financing assistance to supervised credit unions in exchange for Stabilization Preferred Shares Series B.

The Credit Union Restructuring Agreement requires CUDGC to make an annual special contribution equal to 0.11% of credit union deposits and borrowings (loans payable) to the Company as directed by the Province, each year through to 2010. For the 1999 fiscal year, the special contribution was $5,810,000 (1998 - $5,409,000).

Note 2 Financial Statement Presentation

A cash flow statement is not provided as disclosure in these financial statements is considered to be adequate. Operating or administrative costs of the Company are paid by CUDGC.

Note 3 Stabilization Preferred Shares

The Stabilization Preferred Shares Series B have no value to the Company itself because any redemptions thereon flow through the Company and accrue to the benefit of the Province or CUDGC. Therefore, these shares do not appear as an asset with value on the balance sheet of the Company.

The Stabilization Preferred Shares are non-voting and are not entitled to dividends. They are redeemable at the option of the credit unions for the issue price, or otherwise shall be redeemed in an amount equal to 25% through 1999 inclusive, and 50% thereafter, of the annual net income of the credit unions, plus patronage allocations, less investment share dividends, both net of tax. Any funds received in respect of redemption of the Stabilization Preferred Shares are used on a pro rata basis to repay the debentures and CUDGC. The amount of debentures outstanding after the 1999 redemptions is $301,678,000. The future obligation of N.A. Properties (1994) Ltd. (see Note 1) would be $301,678,000 to the credit unions and $33,322,000 to the Province at October 31, 2010. These amounts will change based on annual redemptions through to October 31, 2010. The present value of this future obligation is $124,121,000 which is supported by assets with an amortized cost of $124,121,000 held by N.A. Properties (1994) Ltd.

On a quarterly basis, the Company pays interest on the debentures at the lesser of 14% or prime. CUDGC, with an indemnity from the Province, guarantees payment of the interest.

Note 4 Due to Related Parties

Transactions with related parties are undertaken to meet funding commitments under the Credit Union Deficit Financing Agreement and Credit Union Restructuring Agreement. Balances have been disclosed on a net basis in these financial statements to reflect the flow-through nature of the transactions.

	1999	1998
	(thousands of dollars)	
Redemption of Stabilization Preferred Shares:		
Due from credit unions	$ 61	$ 55
Due to credit unions on repayment of debentures	(61)	(53)
Due to Credit Union Deposit Guarantee Corporation	-	(2)
	-	-
Interest on debentures:		
Due to credit unions	(3,213)	(3,535)
Due to Province to fund interest	(2,597)	(1,874)
Due from Credit Union Deposit Guarantee Corporation - special contribution	5,810	5,409
	-	-
	$ -	$ -

Note 5 1999 Budget

The 1999 budget was approved by the Board of Directors on September 28, 1998.

Note 6 Uncertainty due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than the date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

GAINERS INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

Auditors' Report

Consolidated Balance Sheet

Consolidated Statement of Earnings and Deficit

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholder of Gainers Inc.

We have audited the consolidated balance sheet of Gainers Inc. as at September 30, 1999 and the consolidated statements of earnings and deficit, and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1999 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Edmonton, Alberta
November 12, 1999
(except as to note 6(c) which is as of December 6, 1999)

GAINERS INC.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 1999
(in thousands of dollars)

	1999	1998
ASSETS		
Cash	$ 140	$ 19
Accounts receivable	-	1,298
Prepaid expenses	-	15
Fixed assets	-	77
	$ 140	$ 1,409
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,162	$ 1,421
Principal and interest on prior years' income taxes (Note 3)	6,836	6,471
Long-term debt (Note 4)	199,875	201,513
	207,873	209,405
Contingencies (Note 6)		
DEFICIT, LESS SHARE CAPITAL		
Deficit	(222,736)	(222,999)
Share capital (Note 5)	1	1
Contributed surplus	15,002	15,002
	(207,733)	(207,996)
	$ 140	$ 1,409

Approved by the Board D. Harrington, Director

GAINERS INC.
CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(in thousands of dollars)

	1999	1998
Revenue		
Recovery of legal fees	$ 330	$ -
Recovery of WCB premiums	55	-
Interest income from trust account	19	27
Other	6	6
Lease revenue and other income	3	205
	413	238
Expenses		
General and administrative	117	2,234
	296	(1,996)
Other costs		
Gain on disposal of fixed assets	1,102	-
Land remediation costs	(670)	(300)
Interest on income tax reassessment	(465)	(450)
	(33)	(750)
Net earnings (loss) for the year	263	(2,746)
Deficit - Beginning of year	(222,999)	(220,253)
Deficit - End of year	$ (222,736)	$ (222,999)

GAINERS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(in thousands of dollars)

	1999	1998
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	$ 263	$ (2,746)
Item not affecting cash		
Gain on disposal of fixed assets	(1,102)	-
	(839)	(2,746)
Net change in non-cash balances	1,419	1,234
	580	(1,512)
Financing activities		
Repayment of long-term debt	(3,570)	(373)
Proceeds from long-term debt	1,932	1,908
	(1,638)	1,535
Investment activities		
Proceeds on disposal of assets	1,952	(18)
Land remediation costs capitalized to fixed assets	(773)	-
	1,179	(18)
Increase in cash	121	5
Cash - Beginning of year	19	14
Cash - End of year	$ 140	$ 19

GAINERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

(tabular amounts in thousands of dollars)

Note 1 Basis of presentation

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements of a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

The consolidated financial statements of the company include the accounts of Gainers Inc. and its wholly-owned subsidiary companies: Gainers Properties Inc. ("GPI") and MPF Note Inc. (collectively the "company"). MPF Note Inc. was inactive during the year.

Through September 25, 1993, the company operated on a going-concern basis, which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business. The company has disposed of its non-monetary assets, with the exception of its investment in Pocklington Corp. Inc. described below. The company is waiting for the determination or settlement of numerous lawsuits before its dissolution. The ability of the company to repay its long-term debt is dependent on outcomes of claims filed by or against Gainers Inc.

Any repayment of the long-term debt by the company is expected by management to be immaterial.

Note 2 Investment in and amounts due from former affiliates

The investment, which is recorded at $nil value, is comprised of 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, U.S. $100 per share and which carry annual non-cumulative dividends of U.S. $11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Peter Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counter claimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit. Final determination of the realizable value of the investment is subject to the outcome of the various actions. The investment in Pocklington Corp. Inc. has been written down to $nil on the balance sheet.

Advances to the former affiliate, Pocklington Financial Corporation (formerly Pocklington Holdings Inc.) are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation to recover the advances. In December 1995, a judgement was rendered and collected in favour of Gainers Inc. in the amount of $770,000. This amount has been recovered by the company from Pocklington Financial Corporation. This amount was subject to the secured claim of the Province as described in note 5 and was subsequently remitted to the Province of Alberta ("Alberta") . The company has appealed this decision as the company believes that the amount of the judgement should have been higher. The outcome of the appeal, and the ability to collect any increased judgement, which may result if the appeal is successful, is not currently determinable.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. ("350151") for $100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for $100 cash. Alberta is attempting to have the sale reversed. The accounts of 350151 are not included in these accounts. In December 1995, a judgement as to the ownership of the shares was rendered in favour of Pocklington Financial Corporation. The Province has appealed this decision.

Note 3 Income taxes

The prior years' income taxes liability plus accrued interest is an unsecured debt. The long-term debt owed to Alberta is a secured debt and thus ranks in priority. It is considered unlikely that the company will be able to settle this liability for income taxes and interest as the amount owing to Alberta exceeds the amount, which is reasonably expected to be recovered from the remaining assets of the company.

The Company has capital and non-capital income tax losses available for carry forward to reduce taxable income of future years.

Note 4 Long-term debt

	1999	1998
	(in thousands of dollars)	
Province of Alberta		
Term loan, originally payable by semi-annual instalments commencing April 1, 1991 of $964,650 principal and interest; interest at 9.6%	$ 6,000	$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (U.S. $8,749,339), interest at prime plus 1-1/2%	11,567	11,567
Operating loan, interest at prime plus 1-1/2%	20,979	20,979
Manual loan	-	-
Advances under guarantee for principal and interest payments	31,947	31,947
Promissory note - interest at prime plus 3%	49,000	49,000
Advance to facilitate sale	13,000	13,000
Advances under guarantee and indemnity for operating line	18,469	18,469
Default costs and guarantee fees - interest at prime plus 3%	14,422	16,060
Accrued interest	34,491	34,491
	$ 199,875	$ 201,513

The fair value of the long-term debt is dependent on outcomes from claims filed by or against Gainers Inc. Due to the uncertainty of these items, the fair value as at September 30, 1999 is estimated to be $nil.

Province of Alberta

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta, which provided for a term loan facility and a loan guarantee. Pursuant to the Master Agreement, Gainers Inc. and GPI granted securities to 369413 Alberta Ltd. ("Nominee") which holds the securities and loans, as later described in this Note, in trust for Alberta. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares which, previous to this, were controlled by Mr. Peter Pocklington.

As at October 6, 1989, operating loans of $20,979,000 and a term loan of U.S. $8,749,000 and a loan of $5,000,000 (guaranteed by GPI and referred to as the "Manual Loan") were purchased, transferred and assigned to the Nominee.

In addition, Alberta has made payments since October 6, 1989 of $87,422,000 under the guarantee to cover principal and interest payments due, including the purchase in December 1993 of the balance due under the promissory note made by GPI to Yasuda Mutual Life Assurance Company.

Interest

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994, Alberta declared all indebtedness owing by the company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

Security

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, general security agreements over all real and personal property of the company, a pledge of inventory, and fixed and floating charge debentures amounting to $70,000,000 covering all of the assets of the company. The company continues to be in default and in breach of certain covenants of this indebtedness.

Master Agreement

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of $12,000,000. As at September 30, 1989, $6,000,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, seized control of the Company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan are due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to Alberta in respect to the promissory note, is collaterally secured by a demand debenture made by GPI to the Nominee in the principal sum of $67,000,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

Note 5 Share capital

Authorized
- Unlimited number of Class A common shares
- Unlimited number of Class B preferred shares redeemable/retractable at $1 per share with non-cumulative annual dividends at a rate not exceeding 16% of the redemption value
- 12,000,000 Class C preferred shares redeemable at $1 per share with cumulative annual dividend compounded semi-annually at 9.6% of the redemption price

Issued

	1999	1998
	(in thousands of dollars)	
10 Class A common shares	$ 1	$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
Less: 6,000,000 Class C preferred shares held by GPI	6,000	6,000
	$ 1	$ 1

Note 6 Contingencies

(a) The company and Alberta have filed claims against Mr. Peter Pocklington and companies controlled by him for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately $38,000,000 plus interest. Ultimate recovery of this claim cannot be determined at this time.

(b) Under the terms of the Master Agreement, the company and Mr. Peter Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by the company, as defined in note1, or by Mr. Pocklington. As a result, since the date of default the Company has provided approximately $14,422,000 in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default. Ultimate recovery of this claim cannot be determined at this time.

(c) Alberta has brought a claim against Mr. Peter Pocklington for $4 million plus interest and costs. Subsequent to year-end, December 6, 1999, a summary judgement against Mr. Peter Pocklington was granted to Alberta for $2,000,000 of this claim (plus accrued interest and costs) and Alberta is continuing its claim against Mr. Pocklington for the remaining sum of $2,000,000 (plus interest and costs).

Mr. Peter Pocklington has brought a counter claim against the company in which Mr. Pocklington claims indemnification for the entire amount of the main claim.

Note 7 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Note 8 Comparative figures

On August 26, 1998, the Nominee and Alberta demanded payment of the $5,000,000 manual loan owing by Gainers Inc. and guaranteed by GPI. At September 30, 1998 the manual loan had been paid in full by GPI. The comparative figures in note 4 have been restated to reflect the payment of the manual loan. The balance of the manual loan as at September 30, 1998 has been restated from $5,000,000 to $nil and the balance of default costs and guarantee fees has been restated from $11,060,000 to $16,060,000.

Certain other comparative figures have been reclassified to conform with the current year's presentation.

STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS

For the Year Ended March 31, 2000

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs of the Ministry of Treasury made or approved during the fiscal year.

Remissions under section 26 of the Financial Administration Act:	
Department of Treasury:	
Alberta Income Tax Act	$ 6,394
Compromises under section 27 of the Financial Administration Act:	
Department of Treasury:	
Alberta Indian Tax Exemption	70,929
Alberta Family First Home Program	1,204
	72,133
Write-offs:	
Department of Treasury:	
Implemented guarantees and indemnities:	
Credit Union Deposit Guarantee Corporation	14,622,600
Farm Credit Stability Act	101,612
Plains Publishing Inc.	97,694
Canadian Western Bank	88,766
Alberta Capital Loan Program	28,986
	14,939,658
Accounts receivable:	
Corporate income tax	27,979,223
Fuel tax	211,380
Hotel room tax	130,058
	28,320,661
	43,260,319
Alberta Treasury Branches:	
Accounts and loans receivable	20,774,873
	64,035,192
	$ 64,113,719

STATEMENT OF BORROWINGS MADE UNDER SECTION 61(1) OF THE FINANCIAL ADMINISTRATION ACT

For the Year Ended March 31, 2000

	Issue Principal	Proceeds
Payable in Canadian dollars:		
Promissory notes	$ 18,090,456,677	$ 18,044,456,080
Debentures	453,000,000	446,112,760
	$ 18,543,456,677	$ 18,490,568,840
Payable in U.S. dollars:		
Debentures	$ 448,067,500	$ 448,067,500
Promissory notes	123,582,376	123,566,497
	$ 571,649,876	$ 571,633,997

STATEMENT OF THE AMOUNT OF THE DEBT OF THE CROWN FOR WHICH SECURITIES WERE PLEDGED

The following statement has been prepared pursuant to section 68(2) of the Financial Administration Act.

The amount of the debt of the Crown outstanding at the end of the 1999-2000 fiscal year for which securities were pledged under Part 6 of the Financial Administration Act was $Nil.

STATEMENT OF GUARANTEES AND INDEMNITIES

For the Year Ended March 31, 2000

The following statement has been prepared pursuant to section 76 of the Financial Administration Act. The statement summarizes the amounts of all guarantees and indemnities given by the Ministry of Treasury on behalf of the Crown and Provincial corporations for the year ended March 31, 2000, the amounts paid as a result of liability under guarantees and indemnities, and the amounts recovered on debts owing as a result of payments under guarantees and indemnities.

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
CROWN GUARANTEES			
Gainers Inc. and subsidiaries	$ -	$ 820,494	$ 844,501
Farm Credit Stability Act	-	101,612	6,155
Plains Publishing Inc.	-	97,694	-
Alberta capital loans	-	28,986	-
Rural utilities loans	39,712	5,155	23,601
Feeder Associations Guarantee Act	3,825,000	-	-
Golden Gate Fresh Foods Inc.	-	-	186,197
Judgement debts	-	-	29,777
	3,864,712	1,053,941	1,090,231
CROWN INDEMNITIES			
Credit Union Deposit Guarantee Corporation	-	14,622,600	-
Canadian Western Bank	-	88,766	-
	-	14,711,366	-
PROVINCIAL CORPORATION GUARANTEES/INDEMNITIES			
N.A. Properties (1994) Ltd.	-	1,341,000	-
	$ 3,864,712	$ 17,106,307	$ 1,090,231

LOCAL AUTHORITIES PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Accrued Benefits

Statement of Changes in Actuarial Surplus

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Bond Pool

Schedule of Investments in Canadian Pooled Equities Fund

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Local Authorities Pension Plan Board of Trustees

I have audited the statement of net assets available for benefits and accrued benefits of the Local Authorities Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 10, 2000

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS

AS AT DECEMBER 31, 1999
($ thousands)

	1999	1998
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 8,773,571	$ 7,640,969
Contributions receivable (Note 6)	9,963	10,617
Accrued investment income	-	1,369
	8,783,534	7,652,955
Liabilities		
Accounts payable (Note 7)	2,876	3,840
Net assets available for benefits	8,780,658	7,649,115
Asset fluctuation reserve	(461,700)	(200,300)
Actuarial value of net assets available for benefits	8,318,958	7,448,815
Accrued Benefits		
Actuarial value of accrued benefits (Note 11)	7,438,600	6,943,400
Actuarial surplus [Note 15(c)]	$ 880,358	$ 505,415

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Increase in assets		
Investment income (Note 8)	$ 1,176,787	$ 638,154
Contributions (Note 9)	264,314	260,977
Total increase in assets	1,441,101	899,131
Decrease in assets		
Pension benefits	274,058	263,794
Refunds to members	25,675	36,605
Transfers to other plans	665	376
Interest on refunds of additional contributions	55	429
Transfer to TELUS Edmonton	-	579
Administration expenses (Note 10)	9,105	8,040
Total decrease in assets	309,558	309,823
Increase in net assets for the year	1,131,543	589,308
Net assets available for benefits at beginning of year	7,649,115	7,059,807
Net assets available for benefits at end of year	$ 8,780,658	$ 7,649,115

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS

FOR THE YEAT ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Increase in accrued benefits		
Interest accrued on benefits	$ 524,800	$ 475,500
Benefits earned	281,200	270,800
Changes in actuarial assumptions	-	229,600
Transfer to TELUS Edmonton	-	1,300
Increase in accrued benefits	806,000	977,200
Decrease in accrued benefits		
Benefits paid including interest	310,800	310,500
Experience gains	-	47,400
Decrease in accrued benefits	310,800	357,900
Net increase in accrued benefits	495,200	619,300
Accrued benefits at beginning of year	6,943,400	6,324,100
Accrued benefits at end of year (Note 11)	$ 7,438,600	$ 6,943,400

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS

FOR THE YEAT ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Actuarial surplus at beginning of year	$ 505,415	$ 362,507
Increase in net assets available for benefits	1,131,543	589,308
Net decrease (increase) in asset fluctuation reserve	(261,400)	172,900
Net increase in accrued benefits	(495,200)	(619,300)
Actuarial surplus at end of year	$ 880,358	$ 505,415

See accompanying notes and schedules

LOCAL AUTHORITIES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Local Authorities Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 366/93, as amended.

(a) General

The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, school divisions and districts, colleges and technical institutes.

(b) Funding

Current and prior service costs are funded by employers and employees at rates, which are expected to provide for all benefits payable under the plan. The rates in effect at December 31, 1999 for employees are 4.025% of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 5.90% for the excess. The rates in effect for employers are 1.0% more than the rates for employees. The rates are to be reviewed at least once every three years by the board based on recommendations of the plan's actuary.

(c) Retirement Benefits

The plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the plan is 35 years. Unreduced pensions are payable to members who retire with at least five years of service and have either attained age 65 or age 55 and the sum of their age and service equals 85. Reduced pensions are payable to members retiring early.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least five years of service. The benefits may take the form of a survivor pension, if the beneficiary is a spouse, or a lump sum payment. The beneficiary of a deceased member with fewer than five years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least five years of service and who are not immediately entitled to a pension may receive a refund of contributions and interest on service prior to 1992 and the commuted value for service after 1991, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than five years of service receive a refund of their contributions and interest.

(g) Prior Service and Reciprocal Transfers

All prior service purchases are to be cost-neutral to the plan.

Transferred-in service will be on an actuarial reserve basis and transfers out will receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0216556.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year. They do not reflect the funding requirements of the plan.

The majority of plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The plan's percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	1999	1998
Canadian Dollar Public Bond Pool	31.8	35.1
Canadian Pooled Equities Fund	47.8	49.2
Domestic Passive Equity Pooled Fund	39.7	45.1
External Managers Fund	38.3	38.2
EAFE Structured Equity Pooled Fund	28.7	-
Floating Rate Note Pool	1.6	-
Private Equity Pool	53.5	53.3
Private Mortgage Pool	39.6	39.4
Private Real Estate Pool	39.4	40.6
US Passive Equity Pooled Fund	38.3	37.6
US Structured Equity Pooled Fund	27.6	-
United States Pooled Equities Fund	39.7	39.7
Global Structured Equity Pooled Fund	-	31.3
Private Bond Pool	-	41.2
Transition Account	-	58.7

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. The reserve is calculated by projecting assets for the previous two years to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments (Schedules A to D)

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash				
Investment Trust Fund (a)	$ 64,548	0.7	$ 101,155	1.3
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	2,554,167	29.1	2,903,372	38.0
Private Mortgage Pool (b)	402,532	4.6	364,386	4.8
Floating Rate Note Pool (c)	40,126	0.5	-	-
Real Rate of Return Bonds	-	-	51,803	0.6
Private Bond Pool	-	-	665	-
Total deposits and fixed income securities	3,061,373	34.9	3,421,381	44.7
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	1,262,893	14.4	868,092	11.4
Domestic Passive Equity Pooled Fund (Schedule C)	1,002,939	11.4	854,275	11.2
External Managers Fund (Canadian) (Schedule D)	672,157	7.7	401,855	5.3
Private Equity Pool (d)	41,446	0.5	50,913	0.6
Transition Account and miscellaneous	-	-	753	-
Foreign Equities				
External Managers Fund (Global) (Schedule D)	1,083,104	12.3	933,679	12.2
External Managers Fund (United States) (Schedule D)	515,684	5.9	225,552	3.0
EAFE Structured Equity Pooled Fund (e)	282,835	3.2	-	-
US Passive Equity Pooled Fund (f)	270,667	3.1	228,615	3.0
US Structured Equity Pooled Fund (g)	86,376	1.0	-	-
United States Pooled Equities Fund	2,602	-	6,351	0.1
Global Structured Equity Pooled Fund	-	-	423,732	5.5
Equities in Real Estate				
Private Real Estate Pool (h)	491,495	5.6	225,771	3.0
Total equities	5,712,198	65.1	4,219,588	55.3
Total Investments	$ 8,773,571	100.0	$ 7,640,969	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans (97.4%) and provincial bond residuals (2.6%). In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92% per annum). Approximately 65% of the mortgages held will mature in ten years or less (1998: 90%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Private Equity Pool is in the process of orderly liquidation.

(e) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(f) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(g) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification, by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% to 45% fixed income instruments and 55% to 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999:

	1999	1998
	($ thousands)	
Index swaps		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 281,926	$ -
US Passive Equity Pooled Fund	273,234	228,691
US Structured Equity Pooled Fund	85,934	-
Global Structured Equity Pooled Fund	-	395,438
Canadian equities - Domestic Passive Equity Pooled Fund	414,394	346,820
Bonds - Canadian Dollar Public Bond Pool	434,534	531,457
Interest rate swaps		
Fixed to floating rates		
Canadian Dollar Public Bond Pool	382,789	356,154
Domestic Passive Equity Pooled Fund	248,972	236,640
EAFE Structured Equity Pooled Fund	169,469	-
US Structured Equity Pooled Fund	59,425	-
US Passive Equity Pooled Fund	47,707	21,286
Floating Rate Note Pool	29,923	-
Global Structured Equity Pooled Fund	-	264,371
Total	$ 2,428,307	$ 2,380,857

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counter-parties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $108,112,000 (1998: $180,365,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $2,604,000 (1998: $Nil).

Note 6 Contributions Receivable

	1999	1998
	($ thousands)	
Employers	$ 5,428	$ 5,737
Employees	4,535	4,880
	$ 9,963	$ 10,617

Note 7 Accounts Payable

	1999	1998
	($ thousands)	
Benefits	$ 105	$ 68
Refunds and transfers	1,735	1,534
Additional contribution refunds and accrued interest	999	1,507
Administration expenses	37	731
	$ 2,876	$ 3,840

Note 8 Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
		($ thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,147	$ -	$ 4,147	$ 5,295
Canadian Dollar Public Bond Pool	130,080	(158,447)	(28,367)	230,078
Private Mortgage Pool	28,872	(28,151)	721	34,333
Floating Rate Note Pool	625	(536)	89	-
Real Rate of Return Bonds	403	(834)	(431)	9,475
Private Bond Pool	-	26	26	16,615
Public, direct	87	-	87	519
	164,214	(187,942)	(23,728)	296,315
Equities:				
Canadian Pooled Equities Fund	17,135	297,139	314,274	(32,264)
Domestic Passive Equity Pooled Fund	116,494	140,890	257,384	(132,356)
External Managers Fund (Canadian)	6,879	78,558	85,437	(1,765)
Private Equity Pool	1,460	4,962	6,422	(527)
Transition Account and miscellaneous	-	(153)	(153)	106,443
External Managers Fund (Global)	14,338	283,317	297,655	198,404
External Managers Fund (United States)	2,596	63,693	66,289	66,015
EAFE Structured Equity Pooled Fund	51,905	(1,022)	50,883	-
US Passive Equity Pooled Fund	44,313	(15,035)	29,278	50,359
US Structured Equity Pooled Fund	6,281	384	6,665	-
United States Pooled Equities Fund	10	(3,265)	(3,255)	(9,969)
Global Structured Equity Pooled Fund	56,957	879	57,836	72,061
Private Real Estate Pool	24,674	7,126	31,800	25,438
	343,042	857,473	1,200,515	341,839
	$ 507,256	$ 669,531	$ 1,176,787	$ 638,154

(a) Income is comprised of dividends, interest, income and loss on swaps and rental income, net of pooled funds management and associated custodial fees.

Note 9 Contributions

	1999	1998
	($ thousands)	
Current and prior service		
Employers	$ 143,779	$ 140,856
Employees (a)	120,079	119,739
Province of Alberta	-	(77)
Transfers from other plans and miscellaneous	456	459
	$ 264,314	$ 260,977

(a) Includes $4,025,000 (1998: $4,805,000) of prior service contributions.

Note 10 Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 5,413	$ 5,985
APEX project costs	1,968	299
Investment management costs	883	1,036
Plan restructuring costs (to move LAPP to independence)	702	627
Actuarial fees	139	93
	$ 9,105	$ 8,040

General administration costs and business process reengineering costs (APEX project), including plan board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

Plan restructuring costs (see Note 13) include $148,908 (1998 $39,612 for three months) in remuneration, comprising $148,500 in salaries and bonus and $408 in benefits, paid to the Chief Executive Officer of the Local Authorities Pension Plan Corporation.

Total administration expenses, excluding plan-restructuring costs, amounted to $75 per member (1998: $69 per member). The $6 per member cost net increase in 1999 is attributed to the following factors: increase in APEX project cost $15, increases in plan specific cost $2, decrease in operating cost $9 and decrease in investment management cost $2.

Note 11 Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 1998 by William M. Mercer Limited and then extrapolated to December 31, 1999, taking into account significant changes to the plan since December 31, 1998. The December 31, 1998 valuation resulted in an actuarial surplus of $505 million as disclosed in the statement of net assets available for benefits and accrued benefits.

The valuation as at December 31, 1998 was determined using the projected benefit method based on service. The assumptions used in the valuation were developed as the best estimate of expected market conditions and other future events. This estimate was, after consultation with the plan's actuary, adopted by the Local Authorities Pension Plan Board of Trustees. The major assumptions used were:

	December 31	
	1999 Extrapolation %	1998 Valuation %
Investment return	7.25	7.25
Inflation rate	3.5	3.5
Salary escalation rate*	4.25	4.25

* Excludes merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in a decrease in the actuarial surplus of the plan from $880 million to $407 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in a decrease in the actuarial surplus of the plan from $880 million to $619 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% increase in the assumed real long-term investment return would result in an increase in the actuarial surplus of the plan from $880 million to $1,815 million.

Note 12 Remuneration of Board Members

Remuneration paid with respect to a total of 14 board members during the year amounted to $103,000 (1998: $118,000).

Note 13 Plan Restructuring

In June 1997, the Local Authorities Pension Plan Board of Trustees approved the development of a non-statutory pension plan to replace the existing statutory plan. In accordance with provisions and regulations of the *Public Sector Pension Plans Act*, the board is authorized to charge the plan, up to a certain amount, all costs incurred in connection with the development of the non-statutory plan. The amount authorized is $770,000 in 1998 and $1,072,000 in 1999. Total development costs incurred and charged to the plan in 1999 amounted to $702,000 (1998: $627,000).

Note 14 Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

Note 15 Subsequent Events

(a) Actuarial Valuation

Subsequent to the year-end, the board has authorized an actuarial valuation of the plan to be carried out as at December 31, 1999. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the plan and will be accounted for as gains or losses in 2000.

(b) Arrangement to Transfer from the Public Service Pension Plan

In December 1999, the Lieutenant Governor in Council approved the transfer of certain active members from the Public Service Pension Plan (PSPP) to the Local Authorities Pension Plan (LAPP) and from the LAPP to the PSPP effective January 1, 2000. Accordingly the plans' actuaries determined that assets totalling $229,000,000 were required to be transferred from the PSPP to LAPP as a result. The amount was calculated in accordance with provisions of the *Public Sector Pension Plans Act, Alberta Regulation 365/93, as amended,* and actuarial assumptions approved by the respective boards for the actuarial valuations of both plans as at December 31, 1998.

The amount plus an adjustment for the average market returns of the plans from December 31, 1998 to the date of transfer, contributions made by or in respect of the transferred members during 1999 and interest on the contributions will be transferred from the PSPP to the LAPP in 2000.

(c) Plan Improvements

The plan has received support from the Provincial Treasurer, pending approval from the Lieutenant Governor in Council, to improve benefits in 2000 for those members who leave the plan before qualifying for retirement. The improvement decreases the vesting period to two years of service from five years and provides a termination benefit of commuted value plus excess contributions from employees, if applicable, on all service. As a result of the improved vesting and termination benefits, the plan's actuary determined that the liability of the plan for accrued benefits as at December 31, 1999 would increase by $175,000,000 to $7,613,600,000 and the actuarial surplus would decrease by a similar amount to $705,358,000.

Note 16 Budget Information

The accrued benefits are based on the Local Authorities Pension Plan Board of Trustees' best estimates of future events after consultation with the plan's actuary. Differences between actual results and the board's expectations are disclosed as experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

Schedule A

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 18,083	$ 56,800	$ 16,476	$ 46,902
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	684,147	2,148,862	939,239	2,673,774
Provincial:				
Alberta, direct and guaranteed	11,368	35,707	68,763	195,750
Other, direct and guaranteed	379,388	1,191,633	406,638	1,157,596
Municipal	28,510	89,549	22,575	64,266
Corporate	1,072,596	3,368,956	1,022,736	2,911,470
Private Fixed Income Securities				
Corporate	333,355	1,047,046	399,604	1,137,571
Total deposit and fixed-income securities	2,527,447	7,938,553	2,876,031	8,187,329
Receivable from sale of investments and accrued investment income	31,565	99,143	39,053	111,173
Liabilities for investment purchases	(4,845)	(15,218)	(11,712)	(33,341)
	26,720	83,925	27,341	77,832
	$ 2,554,167	$ 8,022,478	$ 2,903,372	$ 8,265,161

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond-related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998: 5.44% per annum). The following term structure of these securities as at December 31 is based on par value.

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,656	$ 5,550	$ 3,605	$ 7,321
Canadian Public Equities (b)				
Common shares and rights:				
Communications and media	102,405	214,030	31,576	64,115
Conglomerates	59,977	125,354	41,438	84,138
Consumer products	40,416	84,470	60,092	122,014
Financial services	167,426	349,923	201,562	409,265
Gold and precious minerals	42,941	89,748	39,794	80,800
Industrial products	385,895	806,528	158,754	322,345
Merchandising	21,032	43,958	19,302	39,192
Metals and minerals	48,423	101,204	35,034	71,135
Oil and gas	113,080	236,341	72,950	148,122
Paper and forest products	24,882	52,005	18,832	38,238
Pipelines	16,836	35,188	24,609	49,968
Real estate and construction	33,375	69,754	20,445	41,512
Transportation and environmental services	22,796	47,643	30,534	61,998
Utilities	172,656	360,855	102,157	207,427
	1,252,140	2,617,001	857,079	1,740,269
Passive index	7,672	16,036	4,266	8,663
	1,259,812	2,633,037	861,345	1,748,932
Receivable from sale of investments and accrued investment income	4,349	9,090	11,837	24,034
Liabilities for investment purchases	(3,924)	(8,202)	(8,695)	(17,657)
	425	888	3,142	6,377
	$ 1,262,893	$ 2,639,475	$ 868,092	$ 1,762,630

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 22,726	$ 57,310	$ 15,512	$ 34,407
Short-term Securities	3,553	8,960	5,826	12,924
Floating Rate Note Pool	329,081	829,873	262,785	582,896
	355,360	896,143	284,123	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	43,543	109,805	26,682	59,184
Conglomerates	17,723	44,694	17,567	38,966
Consumer products	29,913	75,435	35,735	79,267
Financial services	78,941	199,073	105,183	233,311
Gold and precious minerals	19,933	50,268	26,581	58,961
Industrial products	186,542	470,418	94,811	210,306
Merchandising	19,846	50,047	19,560	43,386
Metals and minerals	21,655	54,609	17,044	37,807
Oil and gas	53,705	135,433	45,647	101,252
Paper and forest products	19,014	47,950	13,158	29,186
Pipelines	8,274	20,865	15,275	33,881
Real estate and construction	12,529	31,596	11,389	25,262
Transportation and environmental services	9,034	22,781	12,048	26,723
Utilities	82,542	208,154	61,387	136,165
	603,194	1,521,128	502,067	1,113,657
Passive index	1,669	4,210	-	-
Domestic Structured Equity Pooled Fund	-	-	54,703	121,340
	604,863	1,525,338	556,770	1,234,997
United States Public Equities	-	-	1,143	2,535
Receivable from sale of investments and accrued investment income	42,716	107,720	16,469	36,530
Liabilities for investment purchases	-	-	(4,230)	(9,383)
	42,716	107,720	12,239	27,147
	$ 1,002,939	$ 2,529,201	$ 854,275	$ 1,894,906

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 381,128	$ 919,706	$ 424,384	$ 1,069,544
Europe	366,130	1,018,169	314,938	835,531
Pacific Basin	317,503	882,206	175,665	457,418
Emerging markets	18,343	76,055	18,692	47,107
	1,083,104	2,896,136	933,679	2,409,600
United States	515,684	1,518,742	225,552	597,487
Canadian Public Equity Pools				
Large Cap	507,467	1,055,108	251,202	646,679
Small Cap	164,690	466,572	150,653	428,952
	672,157	1,521,680	401,855	1,075,631
	$ 2,270,945	$ 5,936,558	$ 1,561,086	$ 4,082,718

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

MANAGEMENT EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Accrued Benefits

Statement of Changes in Actuarial Surplus

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Bond Pool

Schedule of Investments in Canadian Pooled Equities Fund

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of net assets available for benefits and accrued benefits of the Management Employees Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 4, 2000

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS

AS AT DECEMBER 31, 1999

($ thousands)

	1999	1998
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$1,446,515	$1,305,852
Accrued investment income	281	213
Contributions receivable (Note 6)	2,953	3,112
	1,449,749	1,309,177
Liabilities		
Accounts Payable (Note 7)	5,355	469
Net assets available for benefits	1,444,394	1,308,708
Asset fluctuation reserve (Note 8)	(86,700)	(53,500)
Actuarial value of net assets available for benefits	1,357,694	1,255,208
Accrued Benefits		
Actuarial value of accrued benefits (Note 12)	1,311,675	1,250,853
Actuarial surplus (Note 12)	$ 46,019	$ 4,355

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999
($ thousands)

	1999	1998
Increase in assets		
Investment income (Note 9)	$ 206,210	$ 105,296
Contributions		
Current and past service *		
Employers	15,777	17,000
Employees	13,681	15,175
Unfunded liability		
Employers	5,403	5,762
Employees	1,475	1,571
Transfers from other plans	1	34
	36,337	39,542
Total increase in assets	242,547	144,838
Decrease in assets		
Pension benefits	38,232	33,483
Refunds to members	1,554	2,651
Transfer to Alberta Treasury Branches (Note 10)	66,279	-
Administration expenses (Note 11)	796	659
Total decrease in assets	106,861	36,793
Increase in net assets for the year	135,686	108,045
Net assets available for benefits at beginning of year	1,308,708	1,200,663
Net assets available for benefits at end of year	$1,444,394	$1,308,708

* Net of transfer of current service contributions to Alberta Treasury Branches in 1999.

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999
($ thousands)

	1999			1998
	Pre-1992	Post-1991	Total	Total
Increase in accrued benefits				
Interest accrued on benefits	$ 71,060	$ 22,754	$ 93,814	$ 90,000
Benefits earned	-	32,900	32,900	32,200
Changes in actuarial assumptions*	15,968	4,793	20,761	-
Net experience losses *	4,828	6,409	11,237	-
Increase in accrued benefits	91,856	66,856	158,712	122,200
Decrease in accrued benefits				
Benefits paid including interest	33,525	6,761	40,286	37,000
Transfer to Alberta Treasury Branches (Note 10)	34,460	23,144	57,604	-
Decrease in accrued benefits	67,985	29,905	97,890	37,000
Net increase in accrued benefits	23,871	36,951	60,822	85,200
Accrued benefits at beginning of year	947,471	303,382	1,250,853	1,165,653
Accrued benefits at end of year (Note 12)	$971,342	$340,333	$1,311,675	$1,250,853

* An actuarial valuation was carried out at December 31, 1999 and an extrapolation was performed at December 31, 1998.

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGE IN ACTUARIAL SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1999
($ thousands)

	1999			1998
	Pre-1992	Post-1991	Total	Total
Actuarial surplus (deficiency) at beginning of year as originally reported	$ 13,329	$ 28,726	$ 42,055	$ (6,490)
Effect of change in accounting method (Note 8) - net increase in asset fluctuation reserve	(28,800)	(8,900)	(37,700)	(48,200)
Actuarial surplus (deficiency) at beginning of year as restated	(15,471)	19,826	4,355	(54,690)
Increase in net assets available for benefits	89,894	45,792	135,686	108,045
Net decrease (increase) in asset fluctuation reserve	(24,400)	(8,800)	(33,200)	36,200
Net increase in accrued benefits	(23,871)	(36,951)	(60,822)	(85,200)
Actuarial surplus at end of year (Note 12)	$ 26,152	$ 19,867	$ 46,019	$ 4,355

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Management Employees Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 367/93, as amended.

(a) General

The Management Employees Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan.

(b) Funding

Current service costs are funded by employer and employee contributions at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 1999 are 8.0% of pensionable salary for employers and 7.0% for employees. The rates are to be reviewed at least once every three years by the Provincial Treasurer based on recommendations of the Plan's actuary.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation was financed by additional contributions from employers and employees. The rates were set so that additional contributions would eliminate the unfunded liability on or before December 31, 2043. Transitional rates for 1999 based on pensionable salary are 2.75% for employers and 0.75% for employees. As there is a surplus in respect of benefits accrued for pre-1992 service (see Note 12), these additional contributions to liquidate the pre-1992 unfunded liability are no longer required by the *Public Sector Pension Plans Act* effective December 31, 1999.

(c) Retirement Benefits

The Plan provides a pension of 2.0% of pensionable earnings up to the federal cap for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the Plan.

All reciprocal agreements were terminated in 1994. New reciprocal agreements were or are being negotiated to provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan.

The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	1999	1998
Canadian Dollar Public Bond Pool	5.7	6.2
Canadian Pooled Equities Fund	7.7	8.4
Domestic Passive Equity Pooled Fund	8.1	7.6
External Managers Fund	5.5	6.2
EAFE Structured Equity Pooled Fund	6.9	-
Floating Rate Note Pool	0.4	-
Private Equity Pool	7.6	7.8
Private Mortgage Pool	5.9	6.7
US Passive Equity Pooled Fund	6.4	6.3
US Structured Equity Pooled Fund	7.0	-
United States Pooled Equities Fund	6.3	6.3
Global Structured Equity Pooled Fund	-	6.0
Private Bond Pool	-	6.9
Private Real Estate Pool	-	5.3
Transition Account	-	9.9

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned, and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash				
Investment Trust Fund (a)	$ 3,335	0.2	$ 4,043	0.3
Fixed Income Securities				
Canadian Dollar Public Bond Pool (b) (Schedule A)	459,205	31.8	515,657	39.5
Private Mortgage Pool (c)	59,826	4.1	61,645	4.7
Real Rate of Return Bonds (d)	40,655	2.8	20,191	1.6
Floating Rate Note Pool (e)	10,211	0.7	-	-
Private Bond Pool	-	-	112	-
Total deposit and fixed income securities	573,232	39.6	601,648	46.1
Canadian Equities				
Canadian Pooled Equities Fund (f) (Schedule B)	203,823	14.1	147,560	11.3
Domestic Passive Equity Pooled Fund (g) (Schedule C)	203,655	14.1	144,180	11.0
External Managers Fund (Canadian) (h) (Schedule D)	81,587	5.6	65,728	5.0
Private Equity Pool (i)	5,863	0.4	7,450	0.6
Transition Account and miscellaneous	-	-	114	-
	494,928	34.2	365,032	27.9
Foreign Equities				
External Managers Fund (Global) (h) (Schedule D)	158,776	11.0	151,672	11.6
External Managers Fund (United States) (h) (Schedule D)	84,067	5.8	37,609	2.9
EAFE Structured Equity Pooled Fund (j)	67,657	4.7	-	-
US Passive Equity Pooled Fund (k)	45,462	3.2	38,068	2.9
US Structured Equity Pooled Fund (l)	21,980	1.5	-	-
United States Pooled Equities Fund	413	-	1,007	0.1
Global Structured Equity Pooled Fund	-	-	81,187	6.2
	378,355	26.2	309,543	23.7
Equities in Real Estate				
Private Real Estate Pool	-	-	29,629	2.3
Total equities	873,283	60.4	704,204	53.9
Total investments	$ 1,446,515	100	$ 1,305,852	100

(a) The Consolidated Cash Investment Trust Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92%). Approximately 65% of the mortgages held will mature in ten years or less (1998: 90%).

(d) Bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation, and have terms to maturity of over 20 years.

(e) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(h) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(e)] to generate the floating rate cash flows needed for its equity swap obligations.

(k) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(l) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a policy asset mix of 30% to 60% fixed income instruments and 40% to 70% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the Plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999.

	1999	1998
	($ thousands)	
Index swaps		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 67,439	$ -
US Passive Equity Pooled Fund	45,893	38,081
US Structured Equity Pooled Fund	21,867	-
Global Structured Equity Pooled Fund	-	75,766
Canadian equities - Domestic Passive Equity Pooled Fund	84,146	58,534
Bonds - Canadian Dollar Public Bond Pool	78,123	94,390
Interest rate swaps		
Fixed to floating		
Canadian Dollar Public Bond Pool	68,820	63,255
Domestic Passive Equity Pooled Fund	50,556	39,939
EAFE Structured Equity Pooled Fund	40,539	-
US Structured Equity Pooled Fund	15,122	-
US Passive Equity Pooled Fund	8,013	3,545
Floating Rate Note Pool	7,614	-
Global Structured Equity Pooled Fund	-	50,654
	$ 488,132	$ 424,164

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the Plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $16,636,000 (1998: $29,204,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the Plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $318,000 (1998: $Nil).

Note 6 Contributions Receivable

	1999	1998
	($ thousands)	
Employers	$ 1,737	$ 1,803
Employees	1,216	1,309
	$ 2,953	$ 3,112

Note 7 Accounts Payable

	1999	1998
	($ thousands)	
Benefits	$ 32	$ 16
Refunds	221	320
Payable to Alberta Treasury Branches	5,117	-
Payable to Public Service Management (Closed Membership) Pension Plan	1	-
Administration expenses	(16)	133
	$ 5,355	$ 469

Note 8 Change in Accounting Method of Calculating the Asset Fluctuation Reserve

Investments held by the Plan are stated at fair value as at December 31, 1999. In order to minimize the effects of market volatility on asset values, the actuarial value of assets has been determined by adjusting assets by an asset fluctuation reserve. The method of determining the actuarial value of net assets available for benefits has been changed from that used in 1997 and 1998 on the recommendation of the Plan's actuary. Prior to 1999, the asset fluctuation reserve was determined by amortizing annual net unrealized gains and losses equally over three years. In 1999, the asset fluctuation reserve was determined by amortizing annual net realized and unrealized gains and losses equally over three years commencing at the beginning of the current year. As with the liability for accrued benefits, the asset fluctuation reserve has been allocated between the pre-1992 and post-1991 periods.

The asset fluctuation reserve for 1997 and 1998 has been restated to reflect this change in accounting method. The change in method has the effect of reducing the actuarial value of net assets available for benefits and decreasing the surplus by $56.9 million in 1999 (1998: $37.7 million). If the change had not been made, the actuarial surplus of the Plan would have been $102.9 million as at December 31, 1999 (1998: $42.1 million).

Note 9 Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
		($ thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,010	$ -	$ 1,010	$ 646
Canadian Dollar Public Bond Pool	22,962	(28,509)	(5,547)	41,412
Private Mortgage Pool	4,487	(4,401)	86	5,541
Real Rate of Return Bonds	2,484	1,141	3,625	1,515
Floating Rate Note Pool	159	(136)	23	-
Private Bond Pool	-	4	4	2,883
	31,102	(31,901)	(799)	51,997
Equities:				
Canadian Pooled Equities Fund	2,886	49,675	52,561	(5,413)
Domestic Passive Equity Pooled Fund	22,991	27,378	50,369	(22,338)
External Managers Fund (Canadian)	906	9,382	10,288	(195)
Private Equity Pool	212	720	932	(74)
Transition Account and miscellaneous	3	(14)	(11)	17,928
External Managers Fund (Global)	2,382	47,372	49,754	31,610
External Managers Fund (United States)	405	10,646	11,051	10,592
EAFE Structured Equity Pooled Fund	12,373	259	12,632	-
US Passive Equity Pooled fund	8,262	(2,778)	5,484	8,136
US Structured Equity Pooled Fund	1,598	98	1,696	-
United States Pooled Equities Fund	2	(518)	(516)	(1,638)
Global Structured Equity Pooled Fund	13,832	(1,061)	12,771	11,240
Private Real Estate Pool	-	(2)	(2)	3,451
	65,852	141,157	207,009	53,299
	$ 96,954	$ 109,256	$ 206,210	$ 105,296

(a) Income is comprised of dividends, interest, gain and loss on swaps net of pooled funds management and associated custodial fees.

Note 10 Transfer to Alberta Treasury Branches

During the year, the withdrawal of all active members of Alberta Treasury Branches (ATB) from the Management Employees Pension Plan (MEPP) was approved effective December 31, 1998. Accordingly, the Plan's actuary determined that assets totaling $57,604,000 and $2,252,000, respectively, were required to be transferred to ATB and the Public Service Management (Closed Membership) Pension Plan on behalf of ATB. These amounts were calculated in accordance with provisions of the *Public Sector Pension Plans Act, Alberta Regulation 489/99* and actuarial assumptions approved by the Board for the actuarial valuation as at December 31, 1998. These amounts plus an adjustment for the market return of MEPP from December 31, 1998 to the date of transfer totaling $63,309,000 and $2,470,000, respectively, were reported as Decrease in Assets in the Statement of Changes in Net Assets Available for Benefits. In addition, interest on the contributions made by or in respect of transferred members during 1999 totaling $500,000 was transferred to the ATB in December 1999.

Note 11 Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 538	$ 438
Investment management costs	215	219
Actuarial fees	43	2
	$ 796	$ 659

General administration costs, including board costs of $87,000 (1998: $42,000) were paid to the Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 1999, total administration costs of $796,000 amounted to $139 per member (1998: $124 per member). The $15 per member cost net increase in 1999 is attributed to the following factors: increase in business process reengineering cost $23, increase in plan specific cost $7, decrease in investment management cost $4 and decrease in operating cost $11.

Note 12 Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. The December 31, 1999 valuation resulted in an actuarial surplus of $46 million as disclosed in the statement of net assets available for benefits and accrued benefits.

The valuation was determined as at December 31, 1999 using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, approved by the Management Employees Pension Board.

The major assumptions used were:

	December 31	
	1999 Valuation	1998 Extrapolation
	%	%
Asset real rate of return	4.25	4.0
Inflation rate (after phasing-in period)	3.0	3.5
Investment rate of return	7.25	7.5
Salary escalation rate* (after phasing-in period)	3.0	3.5
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Excludes merit and promotion.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits. The following table summarizes the accrued benefits, actuarial value of net assets and the resulting actuarial surplus or deficiency as at December 31, 1999:

	1999			1998
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Fair value of net assets	$1,062,694	$381,700	$1,444,394	$1,308,708
Asset fluctuation reserve (Note 8)	(65,200)	(21,500)	(86,700)	(53,500)
Actuarial value of net assets	997,494	360,200	1,357,694	1,255,208
Accrued pension benefits	971,342	340,333	1,311,675	1,250,853
Actuarial surplus	$ 26,152	$ 19,867	$ 46,019	$ 4,355

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

As at December 31, 1999 holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in actuarial surplus of the Plan changing from a surplus of $46 million to a deficiency of $50 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 20.0%.

As at December 31, 1999 holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in the actuarial surplus of the Plan changing from $46 million to $21.5 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 19.3%.

As at December 31, 1999 holding the inflation rate and salary escalation assumptions constant, a 1% decrease in the assumed long-term investment return would result in the actuarial surplus of the Plan changing from a surplus of $46 million to a deficiency of $164.4 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 22.4%.

Note 13 Supplementary Retirement Plan

The Supplementary Retirement Plan for Public Service Managers (SRP) has been established by the Government effective July 1, 1999 to provide additional pension benefits to eligible plan members whose pensionable earnings are in excess of the maximum yearly pensionable earnings allowed by the federal *Income Tax Act* (federal cap). The SRP is administered by the Provincial Treasurer as a separate trust. Accordingly, the SRP's net assets available for benefits, liabilities for accrued benefits and actuarial surplus referred to below have not been included in these financial statements.

The SRP is funded equally by contributions from eligible employers and participating employees at rates of 7.75% each of pensionable salary that are in excess of the federal cap. If assets held in the trust are insufficient to pay for benefits as they become due, the amount due is payable by participating employers. As a result, participating employers have deposited money into the Supplementary Retirement Plan Reserve Fund (Reserve Fund), at rates determined by the SRP's actuary, to provide for their future obligations to the SRP. The assets and liabilities of the Reserve Fund are included in the Ministry of Treasury consolidated financial statements and the financial statements of the Reserve Fund are included in the Treasury Annual Report.

A summary of the net assets available for benefits and accrued benefits for the SRP as at December 31, 1999 is as follows:

	($ thousands)
Net Assets Available For Benefits	
Cash, short-term deposits and accounts receivable	$ 323
Accounts payable	150
	173
Accrued receivable from the Reserve Fund	768
Net assets available for benefits	941
Accrued Benefits	
Actuarial value of accrued benefits	908
Actuarial surplus	$ 33

The actuarial value of accrued benefits for the SRP was determined as at June 30, 1999 by Crouse Dorgan Consultants Inc. and extrapolated to December 31, 1999. The valuation was carried out using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the SRP's actuary, approved by the Provincial Treasurer.

The major assumptions used in the valuation include a long-term real rate of return on assets of 4.0% based on a long-term investment return of 7.25%, price inflation of 3.25% and a salary escalation rate of 3.75%.

SRP's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the SRP.

Note 14 Budget Information

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience gains and losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

Note 15 Comparative figures

Comparative figures have been restated to be consistent with the 1999 presentation.

Note 16 Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a)

AS AT DECEMBER 31, 1999
($ thousands)

	Plan's Share	
	1999	1998
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,251	$ 2,926
Public Fixed Income Securities		
Government of Canada direct and guaranteed	123,000	166,815
Provincial:		
Alberta, direct and guaranteed	2,044	12,213
Other, direct and guaranteed	68,209	72,221
Municipal	5,126	4,009
Corporate	192,838	181,645
Private Fixed Income Securities		
Corporate	59,933	70,972
Total deposit and fixed income securities	454,401	510,801
Receivable from sale of investments and accrued investment income	5,675	6,936
Liabilities for investment purchases	(871)	(2,080)
	4,804	4,856
	$ 459,205	$ 515,657

(a) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998: 5.44% per annum). The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND

AS AT DECEMBER 31, 1999
($ thousands)

	Plan's Share	
	1999	1998
Deposit in the Consolidated Cash Investment Trust Fund	$ 429	$ 613
Canadian Public Equities (a) :		
Common shares and rights:		
Communications and media	16,528	5,368
Conglomerates	9,680	7,044
Consumer products	6,523	10,215
Financial services	27,022	34,262
Gold and precious minerals	6,930	6,764
Industrial products	62,281	26,985
Merchandising	3,394	3,281
Metals and minerals	7,815	5,955
Oil and gas	18,250	12,400
Paper and forest products	4,016	3,201
Pipelines	2,717	4,183
Real estate and construction	5,386	3,475
Transportation and environmental services	3,679	5,190
Utilities	27,866	17,365
	202,087	145,688
Passive index	1,238	725
	203,325	146,413
Receivable from sale of investments and accrued investment income	702	2,012
Liabilities for investment purchases	(633)	(1,478)
	69	534
	$ 203,823	$ 147,560

(a) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND

DECEMBER 31, 1999
($ thousands)

	Plan's Share	
	1999	1998
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,615	$ 2,618
Short-term Securities	721	983
Floating Rate Note Pool	66,823	44,351
	72,159	47,952
Canadian Public Equities (a):		
Common shares and rights:		
Communications and media	8,842	4,503
Conglomerates	3,599	2,965
Consumer products	6,074	6,031
Financial services	16,030	17,752
Gold and precious minerals	4,047	4,486
Industrial products	37,879	16,002
Merchandising	4,030	3,301
Metals and minerals	4,397	2,877
Oil and gas	10,905	7,704
Paper and forest products	3,861	2,221
Pipelines	1,680	2,578
Real estate and construction	2,544	1,922
Transportation and environmental services	1,834	2,033
Utilities	16,761	10,361
	122,483	84,736
Passive Index	339	-
Domestic Structured Equity Pooled Fund	-	9,233
United States Public Equities	-	193
Receivable from sale of investments and accrued investment income	8,674	2,780
Liabilities for investment purchases	-	(714)
	8,674	2,066
	$ 203,655	$ 144,180

(a) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

AS AT DECEMBER 31, 1999
($ thousands)

	Plan's Share	
	1999	1998
Canadian Public Equity Pools		
Large Cap	$ 56,015	$ 41,159
Small Cap	25,572	24,569
	81,587	65,728
Foreign Public Equity Pools		
Multi Region	36,658	67,323
Europe	62,684	52,592
Pacific Basin	54,328	28,792
Emerging markets	5,106	2,965
	158,776	151,672
United States	84,067	37,609
	$ 324,430	$ 255,009

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN

FINANCIAL STATEMENTS

MARCH 31, 2000

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Bond Pool

Schedule of Investments in Canadian Pooled Equities Fund

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of net assets available for benefits and accrued benefits of the Provincial Judges and Masters in Chambers Pension Plan as at March 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits of the Plan as at March 31, 2000 and the results of its operations and the changes in its net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
August 28, 2000

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT MARCH 31, 2000
($ thousands)

	2000	1999
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	$ 95,300	$ 80,940
Receivable from the RCA account (Note 10)	369	-
Contributions receivable	68	178
	95,737	81,118
Liabilities		
Accounts payable	328	-
Net assets available for benefits	95,409	81,118
ACCRUED BENEFITS		
Accrued benefits (Note 6)	65,881	62,262
Actuarial surplus (Note 7)	$ 29,528	$ 18,856

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2000
($ thousands)

	2000	1999
Increase in assets		
Investment income (Note 8)	$ 15,400	$ 3,066
Contributions		
Current and past service:		
Provincial Judges and Masters in Chambers	702	893
Province of Alberta	842	1,244
	1,544	2,137
Total increase in assets	16,944	5,203
Decrease in assets		
Pension benefits	2,653	2,528
Increase in net assets for the year	14,291	2,675
Net assets available for benefits at beginning of year	81,118	78,443
Net assets available for benefits at end of year	$95,409	$81,118

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2000

Note 1 Summary Description of the Plan

The following description of the Provincial Judges and Masters in Chambers Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Provincial Court Judges Act*, Chapter P-20.1, Revised Statutes of Alberta 1980, *Financial Administration Act*, Chapter F-9, Revised Statutes of Alberta 1980, Alberta Regulation 265/88 and 177/98, as amended.

(a) General

Effective April 1, 1998, the Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta.

(b) Funding

Current service costs are funded by the Province of Alberta and plan members at rates which are expected to provide for all benefits payable under the plan. The rates in effect at March 31, 2000 are 9.0% of capped earnings for plan members (1999 9.0%) and 9.22% of capped earnings for the Province (1999 14.05%). The rates are to be reviewed at least once every three years by the Province based on recommendations of the plan's actuary.

The unfunded liability, if any, as of any particular valuation date is funded by the Province of Alberta on the basis that it is to be liquidated by 20 equal annual contribution payments.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings earned after December 31, 1991 are capped at $86,111 by the *Income Tax Act*. The maximum pensionable service allowable under the plan is 35 years. The normal pensionable age of the plan is 70 years of age.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a deferred pension.

(g) Province's Liability for Benefits

The Province of Alberta is liable to pay all benefits not paid by the plan.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The plan's registration number is 0927764.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year. They do not reflect the funding requirements of the plan.

The majority of plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to members and to value purchases and sales of pool units.

The plan's respective percentage ownership in pooled investment funds at March 31 was as follows:

	% Ownership	
	2000	1999
Canadian Dollar Public Bond Pool	0.39	0.38
Canadian Pooled Equities Fund	0.47	0.54
Domestic Passive Equity Pooled Fund	0.55	0.48
External Managers Fund	0.28	0.34
EAFE Structured Equity Pooled Fund	0.23	-
Floating Rate Note Pool	0.02	-
Private Equity Pool	0.56	0.56
Private Mortgage Pool	0.25	0.28
Private Real Estate Pool	0.31	0.35
US Passive Equity Pooled Fund	0.34	0.37
US Structured Equity Pooled Fund	0.23	-
United States Pooled Equities Fund	0.40	0.40
Global Structured Equity Pooled Fund	-	0.22

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

The fair value of private equities is estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(e) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3 Investments

Investments are summarized as follows:

	2000		1999	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 3,151	3.3	$ 4,032	5.0
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	35,601	37.3	30,538	37.7
Private Mortgage Pool (b)	2,530	2.7	2,816	3.5
Floating Rate Note Pool (c)	393	0.4	-	-
Total deposits and fixed income securities	41,675	43.7	37,386	46.2
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	11,656	12.2	10,981	13.6
Domestic Passive Equity Pooled Fund (Schedule C)	13,293	14.0	9,578	11.8
External Managers Fund (Canadian) (Schedule D)	4,184	4.4	2,769	3.4
Private Equity Pool (d)	599	0.6	462	0.6
	29,732	31.2	23,790	29.4
Foreign Equities				
External Managers Fund (Global) (Schedule D)	8,956	9.4	9,407	11.6
External Managers Fund (United States) (Schedule D)	5,608	5.9	2,359	2.9
EAFE Structured Equity Pooled Fund (e)	2,007	2.1	-	-
US Passive Equity Pooled Fund (f)	3,096	3.3	2,335	2.9
US Structured Equity Pooled Fund (g)	316	0.3	-	-
United States Pooled Equities Fund	48	-	37	-
Global Structured Equity Pooled Fund	-	-	3,054	3.8
	20,031	21.0	17,192	21.2
Equities in Real Estate				
Private Real Estate Pool (h)	3,862	4.1	2,572	3.2
Total equities	53,625	56.3	43,554	53.8
Total investments	$ 95,300	100.0	$ 80,940	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high quality commercial mortgage loans (96.9%) and provincial bond residuals (3.1%). In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at March 31, 2000, mortgages held by the pool have an average effective yield of 7.66% per annum based on market (1999: 7.08%). Approximately 64% of the mortgages held will mature within ten years (1999: 84%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Private Equity Pool is in the process of orderly liquidation.

(e) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(f) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Index. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(g) The US Structured Equity Pooled Fund is in the process of orderly liquidation.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market with opportunities for high returns.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, management has established a policy asset mix: 35% to 65% fixed income instruments and 65% to 35% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal.

An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the plan's proportionate share of the notional value of index and interest rate swaps held or issued by pooled funds at March 31, 2000.

	2000				1999
	Remaining term to maturity				
	Under 1 year	1 to 3 years	Over 3 years	Total	Total
			($ thousands)		
Index swaps					
Canadian equities					
Domestic Passive Equity Pooled Fund	$ 6,513	$ -	$ -	$ 6,513	$ 3,662
Foreign equities					
EAFE Structured Equity Pooled Fund	1,993	-	-	1,993	-
US Passive Equity Pooled Fund	3,148	-	-	3,148	2,305
US Structured Equity Pooled Fund	311	-	-	311	-
Global Structured Equity Pooled Fund	-	-	-	-	3,002
Bonds - Canadian Dollar Public Bond Pool	2,591	1,913	-	4,504	5,730
Interest rate swaps					
Fixed to floating rates					
Canadian Dollar Public Bond Pool	405	2,063	2,267	4,735	4,118
Domestic Passive Equity Pooled Fund	629	1,660	1,334	3,623	2,782
EAFE Structured Equity Pooled Fund	210	602	484	1,296	-
US Passive Equity Pooled Fund	187	515	166	868	209
US Structured Equity Pooled Fund	31	87	70	188	-
Floating Rate Note Pool	46	133	107	286	-
Global Structured Equity Pooled Fund	-	-	-	-	2,138
	$ 16,064	$ 6,973	$ 4,428	$ 27,465	$ 23,946

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counterparties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at March 31, 2000, the plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $1,189,000 (1999: $2,314,000).

Stock index futures contracts are contractual agreements to pay or receive specified currencies based on the variances of a specified stock index between an agreed level and the actual level on an agreed date in the future. As at March 31, 2000, the plan's proportionate share of outstanding stock index futures contracts issued by the External Managers Fund amounted to $12,000 (1999: $100,000).

Note 6 Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at March 31, 2000 by Johnson Incorporated. The March 31, 2000 valuation resulted in an actuarial surplus of $29.5 million as disclosed in the Statement of Net Assets Available for Benefits and Accrued Benefits.

The valuation as at March 31, 2000 was determined using the projected benefit method, based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the plan's actuary, adopted by management.

The major assumptions used were:

	March 31	
	2000 Valuation	1999 Valuation
	%	%
Asset real rate of return	3.5	3.5
Inflation rate	3.5	3.5
Investment return	7	7
Salary escalation rate (after phasing-in period)	4	4
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

The following statement shows the principal components of the change in the value of accrued pension benefits.

	2000	1999
	($ thousands)	
Accrued pension benefits, beginning of period	62,262	53,717
Interest accrued on benefits	4,939	3,869
Net experience losses (gains)	(211)	5,651
Benefits earned	1,544	1,553
Net benefits paid	(2,653)	(2,528)
Accrued pension benefits, end of period	65,881	62,262

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

As at March 31, 2000, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the value of accrued benefits by approximately $5.4 million.

As at March 31, 2000, holding the long-term inflation rate and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation rate would result in an increase in the value of accrued benefits by approximately $2.2 million.

As at March 31, 2000, holding the long-term inflation rate and salary escalation assumptions constant, a 1% decrease in the assumed real long-term investment return would result in a increase in the value of accrued benefits by approximately $11.2 million.

Note 7 Actuarial Surplus

The plan surplus may be used to reduce the Province's contributions required under the plan, or returned to the Province by an order of the Lieutenant Governor in Council.

Note 8 Investment Income

	2000			1999
	Income (a)	Change in Fair Value	Total	Total
		($ thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 137	$ -	$ 137	$ 61
Canadian Dollar Public Bond Pool	1,713	(1,179)	534	2,024
Private Mortgage Pool	198	(116)	82	176
Floating Rate Note Pool	11	(6)	5	-
Private Debt Pool	-	-	-	97
	2,059	(1,301)	758	2,358
Equities:				
Canadian Pooled Equities Fund	184	4,225	4,409	(913)
Domestic Passive Equity Pooled Fund	2,212	2,383	4,595	(1,236)
External Managers Fund (Canadian)	39	887	926	(1,439)
Private Equity Pool	26	231	257	(75)
Transition Account	-	-	-	16
External Managers Fund (Global)	96	2,278	2,374	2,598
EAFE Structured Equity Pooled Fund	576	(5)	571	-
External Managers Fund (United States)	44	618	662	607
US Passive Equity Pooled Fund	440	(118)	322	513
US Structured Equity Pooled Fund	58	7	65	-
United States Pooled Equities Fund	-	17	17	(51)
Global Structured Equity Pooled Fund	240	(12)	228	489
Private Real Estate Pool	216	-	216	199
	4,131	10,511	14,642	708
	$ 6,190	$ 9,210	$ 15,400	$ 3,066

(a) Income is comprised of dividends, interest, income and loss on swaps and rental income, net of pooled fund management and associated custodial fees.

Note 9 Administration Expenses

Accommodation and certain administration costs, including salaries, benefits and telecommunication services incurred on behalf of the plan by the Government of Alberta have not been included in the plan's expenses. These costs, which are not considered material to the plan, are recorded by the Province of Alberta and are not recovered from the plan.

Note 10 Retirement Compensation Arrangement Account

The Retirement Compensation Arrangement (RCA) Account for Provincial Judges and Masters in Chambers has been established by the Province to collect contributions and to provide pension benefits to plan members in excess of the maximum benefits allowed by the federal *Income Tax Act*, effective April 1, 1998. With respect to pensionable service after March 31, 1998, pension benefits accrue at the rate of 0.67% of pensionable earnings up to $86,111 and 2.67% of pensionable earnings above $86,111 for each year of pensionable service, based on the average salary of the highest five consecutive years. The RCA Account is administered by the Province as a separate trust. Accordingly, the RCA account's net assets available for benefits, liabilities for accrued benefits and actuarial deficit referred to below have not been included in these financial statements.

The RCA Account is funded equally by contributions from plan members and the Province at rates of 9.0% each of pensionable salary that are in excess of the federal cap. If assets held in the trust are insufficient to pay for benefits as they become due, the amount due is payable by the Province.

A summary of the net assets available for benefits and accrued benefits for the RCA Account as at March 31, 2000 and changes in net assets available for benefits for the year then ended is as follows:

	($ thousands)
Net Assets Available For Benefits	
Cash, cash equivalents and accounts receivable	$ 2,773
Accounts payable	61
	2,712
Payable to the Provincial Judges and Masters in Chambers Pension Plan	369
Net assets available for benefits	2,343
Accrued Benefits	
Actuarial value of accrued benefits	24,710
Actuarial deficit	$ (22,367)

	($ thousands)
Increase in assets	
Current and previous year's contributions	
Provincial Judges and Masters in Chambers	$ 1,150
Province of Alberta	1,156
Investment income	37
Total increase in assets for the year and net assets available for benefits at end of year	$ 2,343

The actuarial value of accrued benefits for the RCA account was determined as at March 31, 2000 by Johnson Incorporated. The valuation was carried out using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the plan's actuary, approved by management.

The major assumptions used in the valuation were the same as used in the valuation of the plan (see Note 6).

RCA Account's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the RCA Account.

Note 11 Budget Information

The accrued benefits are based on management's best estimates of future events after consultation with the plan's actuary. Differences between actual results and management's expectations are disclosed as experience gains or losses in Note 6. Accordingly, a budget is not included in these financial statements.

Note 12 Responsibility for Financial Statements

These financial statements were approved by management.

Schedule A

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)

MARCH 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 663	$ 169,293	$ 430	$ 114,298
Public Fixed Income Securities				
Government of Canada:				
direct and guaranteed	9,505	2,426,718	8,396	2,230,533
Provincial:				
Alberta, direct and guaranteed	141	35,918	727	193,244
Other, direct and guaranteed	5,441	1,389,327	3,983	1,058,095
Municipal	296	75,484	312	82,892
Corporate	15,097	3,854,537	12,086	3,210,563
Private Fixed Income Securities				
Corporate	4,165	1,063,445	4,236	1,125,242
Total deposit and fixed income securities	35,308	9,014,722	30,170	8,014,867
Receivable from sale of investments and accrued investment income	1,223	312,369	744	197,596
Liabilities for investment purchases	(930)	(237,442)	(376)	(99,845)
	293	74,927	368	97,751
	$ 35,601	$ 9,089,649	$ 30,538	$ 8,112,618

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of members' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at March 31, 2000 had an average effective current yield of 6.39% per annum based on market value (1999: 5.51% per annum). The following term structure of these securities as at March 31, 2000 is based on par value.

	2000	1999
	%	
under 1 year	9	10
1 to 5 years	35	37
5 to 10 years	29	24
10 to 20 years	15	21
over 20 years	12	8
	100	100

Schedule B

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)

MARCH 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 77	$ 16,493	$ 65	$ 12,121
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	886	190,218	748	139,379
Conglomerates	481	103,341	615	114,522
Consumer products	267	57,390	529	98,452
Financial services	1,307	280,504	2,340	435,832
Gold and precious minerals	286	61,332	480	89,329
Industrial products	3,436	737,472	2,253	419,610
Merchandising	93	19,990	271	50,417
Metals and minerals	395	84,864	358	66,756
Oil and gas	1,051	225,484	824	153,484
Paper and forest products	346	74,197	220	40,913
Pipelines	170	36,399	287	53,368
Real estate and construction	153	32,746	264	49,262
Transportation and environmental services	137	29,319	276	51,555
Utilities	2,372	509,085	1,330	247,889
Passive index	-	-	144	26,883
	11,380	2,442,341	10,939	2,037,651
Receivable from sale of investments and accrued investment income	339	72,858	68	12,722
Liabilities for investment purchases	(140)	(30,114)	(91)	(17,086)
	199	42,744	(23)	(4,364)
	$ 11,656	$ 2,501,578	$ 10,981	$ 2,045,408

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 index over a four-year period while maintaining preservation of members' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC EQUITY POOLED FUND (a)

MARCH 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,215	$ 220,477	$ 32	$ 6,772
Short Term Securities	49	8,965	61	12,790
Floating Rate Note Pool	4,902	889,331	3,108	650,930
	6,166	1,118,773	3,201	670,492
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	558	101,191	488	102,204
Conglomerates	156	28,325	181	37,986
Consumer products	255	46,206	263	55,059
Financial services	365	66,292	1,113	232,892
Gold and precious minerals	169	30,685	256	53,591
Industrial products	2,452	444,906	1,139	238,625
Merchandising	204	36,989	230	48,171
Metals and minerals	174	31,535	189	39,670
Oil and gas	571	103,662	542	113,447
Paper and forest products	209	37,883	170	35,617
Pipelines	83	14,998	149	31,167
Real estate and construction	91	16,451	127	26,571
Transportation and environmental services	87	15,862	120	25,232
Utilities	1,076	195,204	698	146,243
Passive index	-	-	97	20,212
	6,450	1,170,189	5,762	1,206,687
Domestic Structured Equity Pooled Fund	-	-	588	123,191
United States Public Equities	-	-	11	2,245
Receivable from sale of investments and accrued investment income	687	124,672	31	6,518
Liabilities for investment purchases	(10)	(1,938)	(15)	(3,271)
	677	122,734	16	3,247
	$13,293	$2,411,696	$9,578	$2,005,862

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of publicly traded Canadian equities similar in weights to the TSE 300 Index and structured investments such as equity index swaps.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)

MARCH 31, 2000

($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 2,705	$ 950,119	$ 4,309	$ 1,086,288
Europe	3,252	1,026,874	2,986	801,758
Pacific Basin	2,756	869,329	1,951	522,234
Emerging Markets	243	77,867	161	51,304
	8,956	2,924,189	9,407	2,461,584
United States	5,608	2,096,636	2,359	639,590
Canadian Public Equity Pools				
Large Cap	3,003	1,160,542	1,752	800,564
Small Cap	1,181	506,522	1,017	437,043
	4,184	1,667,064	2,769	1,237,607
	$ 18,748	$ 6,687,889	$ 14,535	$ 4,338,781

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four -year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at March 31, 2000:

	2000	1999
	($ thousands)	
Cash and short-term securities	$ 135,273	$ 109,079
Receivables from sale of investments and accrued investment income	57,514	27,890
Investments		
Public equities	6,560,001	4,239,151
Convertible bonds	1,112	1,302
Liability for investment purchases	(66,011)	(38,641)
	$6,687,889	$4,338,781

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report
Statement of Accrued Benefits and Net Assets Available for Benefits
Statement of Changes in Net Assets Available for Benefits
Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of accrued benefits and net assets available for benefits of the Public Service Management (Closed Membership) Pension Plan as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 4, 2000

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF ACCRUED BENEFITS AND NET ASSETS AVAILABLE FOR BENEFITS

AS AT DECEMBER 31, 1999

($ thousands)

	1999	1998
Accrued Benefits		
Actuarial value of accrued pension benefits (Note 6)	$655,623	$657,524
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents (Note 3)	5,758	5,154
Accounts receivable	14	-
	5,772	5,154
Liabilities		
Accounts payable (Note 4)	30	58
Net assets available for benefits	5,742	5,096
Excess of actuarial value of accrued pension benefits over net assets	$649,881	$652,428

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999
($ thousands)

	1999	1998
Increase in assets		
Investment income	$ 173	$ 381
Contributions from the Province of Alberta (Note 1(b))	54,500	40,000
Transfers from Alberta Treasury Branches and past service contributions (Note 7)	2,470	1
Total increase in assets	57,143	40,382
Decrease in assets		
Pension benefits	56,244	56,557
Refunds to members	88	53
Transfers to other plans	-	50
Administration expenses (Note 5)	165	155
Total decrease in assets	56,497	56,815
Increase (Decrease) in net assets for the year	646	(16,433)
Net assets available for benefits at beginning of year	5,096	21,529
Net assets available for benefits at end of year	$ 5,742	$ 5,096

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Public Service Management (Closed Membership) Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended.

(a) General

The Public Service Management (Closed Membership) Pension Plan is a defined benefit pension plan for eligible retired management employees of the Province of Alberta and certain provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were retired or were entitled to receive deferred pensions or had attained 35 years of service before August 1, 1992 continue as members of this Plan.

(b) Funding

The Plan is funded by investment income and money appropriated to the Plan, if any, by the Province of Alberta Legislature.

The Plan's actuary performs an actuarial valuation of the Plan at least once every three years.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to receive a pension if they terminated before August 1, 1992 and attained age 55 with at least five years of service. In addition, those members who had achieved 35 years of service at August 1, 1992 and subsequently terminated are also entitled to a pension.

(d) Guarantee

The Province of Alberta guarantees payment of all benefits arising under the Plan. After all assets in the Plan are exhausted, the Province of Alberta pays all benefits under the Plan and the plan costs.

(e) Cost-of-Living Adjustments

Pensions payable by the Plan are increased each year by an amount equal to at least 60 percent of the increase in the Alberta Consumer Price Index.

(f) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*, and is not subject to income taxes. The Plan's registration number is 1006923.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments, and are prepared to assist plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Short-term securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 4 Accounts Payable

	1999	1998
	($ thousands)	
Benefits and refunds	$ 30	$ 1
Administration expenses	-	57
	$ 30	$ 58

Note 5 Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 140	$ 134
Actuarial fees	8	13
Investment management costs	17	8
	$ 165	$ 155

General administration costs, including the board costs, were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury, and do not include custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $60 per member (1998: $56 per member).

Note 6 Actuarial Value of Accrued Pension Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. The December 31, 1999 valuation resulted in an actuarial deficiency of $650 million.

The valuation as at December 31, 1999 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed by reference to the Management Employees Pension Board's best estimate of expected short-term and long-term market conditions and other future events. The major assumptions used were:

	December 31,	
	1999 Valuation	1998 Extrapolation
	%	%
Asset real rate of return	4.25	4.0
Inflation rate (after phasing-in period)	3.0	3.5
Investment rate of return	7.25	7.5
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

The following statement shows the principal components of the change in the value of accrued benefits.

	1999	1998
	($ thousands)	
Actuarial value of accrued pension benefits at beginning of year	$657,524	$666,324
Net experience losses	9,792	-
Interest accrued on benefits	42,384	50,000
Changes in actuarial assumptions	(1,938)	-
Net benefits paid, including interest	(52,139)	(58,800)
Actuarial value of accrued pension benefits at end of year	$655,623	$657,524

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains and losses in future valuations and will affect the financial position of the Plan.

As at December 31, 1999, holding the nominal investment return assumption constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the deficiency of the Plan from $650 million to $685 million.

As at December 31, 1999, holding the inflation rate assumption constant, a 1% decrease in the assumed long-term investment return would result in an increase in the deficiency of the Plan from $650 million to $711 million.

Note 7 Transfer from Alberta Treasury Branches

During the year, the withdrawal of all active members of Alberta Treasury Branches from the Management Employees Pension Plan (MEPP) was approved effective December 31, 1998. Accordingly, the Plan's actuary determined that assets totaling $2,252,000 were required to be transferred to the Closed Plan to compensate for the liabilities of the Closed Plan in respect of members of the Closed Plan who, at the time of their last termination, were employees of Alberta Treasury Branches. The amount was calculated in accordance with provisions of the *Public Sector Pension Plans Act, Alberta Regulation 489/99* and actuarial assumptions approved by the Board for the actuarial valuation as at December 31, 1998. This amount plus an adjustment for the market return of MEPP from December 31, 1998 to the date of transfer totaling $2,470,000 was transferred to the Closed Plan in December 1999.

Note 8 Budget Information

The accrued benefits are based on the Management Employees Pension Board's best estimate of future events. Differences between actual results and management's expectations are disclosed as net experience gains and losses in Note 6. Accordingly, a budget is not included in these financial statements.

Note 9 Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

PUBLIC SERVICE PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31,1999

Auditor's Report

Statement of Net Assets Available for Benefits and Liability for Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Liability for Accrued Benefits

Statement of Changes in Actuarial Surplus

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Bond Pool

Schedule of Investments in Canadian Pooled Equities Fund

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Public Service Pension Board

I have audited the statement of net assets available for benefits and liability for accrued benefits of the Public Service Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in liability for accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 9, 2000

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND LIABILITY FOR ACCRUED BENEFITS

AS AT DECEMBER 31, 1999

($ thousands)

	1999	1998
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 4,118,948	$ 3,603,705
Accounts receivable (Note 6)	8,264	12,382
	4,127,212	3,616,087
Liabilities		
Accounts payable	1,592	1,642
Net assets available for benefits	4,125,620	3,614,445
Asset fluctuation reserve [Note 2 (c)]	(202,600)	(87,000)
Actuarial value of net assets available for benefits	3,923,020	3,527,445
Liability for Accrued Benefits		
Liability for accrued benefits (Note 7)	3,406,000	3,121,000
Actuarial surplus	$ 517,020	$ 406,445

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Increase in assets		
Investment income (Note 8)	$ 550,010	$ 297,352
Contributions		
Current and past service:		
Employers	62,750	60,886
Employees	63,917	62,323
Pre-1992 unfunded liability		
Employers	-	3,645
Employees	-	3,645
Province of Alberta	-	12,150
Transfers from other plans	374	154
	127,041	142,803
Total increase in assets	677,051	440,155
Decrease in assets		
Pension benefits	140,624	137,127
Refunds to members	20,282	24,795
Transfers to other plans	438	594
Interest on refunds of additional contributions	125	-
Administration expenses (Note 9)	4,407	4,003
Total decrease in assets	165,876	166,519
Increase in net assets for the year	511,175	273,636
Net assets available for benefits at beginning of year	3,614,445	3,340,809
Net assets available for benefits at end of year	$ 4,125,620	$ 3,614,445

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN LIABILITY FOR ACCRUED BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Increase in liability for accrued benefits		
Interest accrued on benefits	$ 233,000	$ 225,000
Benefits earned	120,000	103,000
Plan improvements [Note 11(b)]	71,000	-
Group transfer [Note 11(a)]	22,000	-
Experience losses	-	43,000
Increase in liability for accrued benefits	446,000	371,000
Decrease in liability for accrued benefits		
Benefits paid	161,000	163,000
Changes in actuarial assumptions	-	66,000
Decrease in liability for accrued benefits	161,000	229,000
Net increase in liability for accrued benefits	285,000	142,000
Liability for accrued benefits at beginning of year	3,121,000	2,979,000
Liability for accrued benefits at end of year (Note 7)	$ 3,406,000	$ 3,121,000

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Actuarial surplus at beginning of year	$ 406,445	$ 170,809
Increase in net assets available for benefits	511,175	273,636
Net decrease (increase) in asset fluctuation reserve	(115,600)	104,000
Net increase in liability for accrued benefits	(285,000)	(142,000)
Actuarial surplus at end of year	$ 517,020	$ 406,445

See accompanying notes and schedules

PUBLIC SERVICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Public Service Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 368/93, as amended. Effective February 1, 2000, the Plan was further amended to improve benefits for those members who leave the plan before qualifying for retirement [see Note 11(b)].

(a) General

The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies, including universities and local boards of health units established under the *Public Health Act* and the Special Areas Board.

(b) Funding

Current service costs are funded equally by employers and employees at rates, which are expected to provide for all benefits payable under the Plan. The rates in effect are 4.675% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55% for the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides for a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the Plan is 35 years. Pensions are payable to members who retire with at least five years of service and either have attained age 65 or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members age 55 retiring early with a minimum of five years of service.

(d) Termination Benefits

Members who terminate with at least five years of service and are not immediately entitled to a pension may receive a refund of their contributions and interest on service prior to 1992 and commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of their contributions and interest.

(e) Disability Benefits

Unreduced pensions are payable to members who become totally disabled and have at least five years of service. Reduced pensions are payable to members who become partially disabled and have at least five years of service.

(f) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than five years, a lump sum payment must be chosen.

(g) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost-neutral to the Plan.

All reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and the Plan is not subject to income taxes. The Plan's registration number is 0208769.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan.

The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	1999	1998
Canadian Dollar Public Bond Pool	17.0	16.1
Canadian Pooled Equities Fund	22.3	21.6
Domestic Passive Equity Pooled Fund	26.3	21.6
External Managers Fund	13.3	16.9
EAFE Structured Equity Pooled Fund	15.2	-
Floating Rate Note Pool	0.9	-
Private Mortgage Pool	19.5	18.9
Private Real Estate Pool	11.8	17.6
US Passive Equity Pooled Fund	14.7	16.1
US Structured Equity Pooled Fund	15.2	-
United States Pooled Equities Fund	17.0	17.0
Global Structured Equity Pooled Fund	-	16.4
Private Bond Pool	-	19.0

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments (Schedules A to D)

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 39,026	0.9	$ 173,556	4.8
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	1,366,964	33.2	1,332,104	37.0
Private Mortgage Pool (b)	197,967	4.8	175,259	4.9
Floating Rate Note Pool (c)	22,034	0.5	-	-
Real Rate of Return Bonds	-	-	22,753	0.6
Private Bond Pool	-	-	307	-
Total deposits and fixed income securities	1,625,991	39.4	1,703,979	47.3
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	589,460	14.3	380,307	10.6
Domestic Passive Equity Pooled Fund (Schedule C)	664,690	16.1	410,354	11.3
External Managers Fund (Canadian) (Schedule D)	239,480	5.8	191,288	5.3
Public, direct	-	-	73	-
	1,493,630	36.2	982,022	27.2
Foreign Equities				
External Managers Fund (Global) (Schedule D)	382,407	9.3	400,542	11.1
External Managers Fund (United States) (Schedule D)	167,609	4.1	96,638	2.7
EAFE Structured Equity Pooled Fund (d)	150,217	3.7	-	-
US Passive Equity Pooled Fund (e)	103,671	2.5	97,957	2.7
US Structured Equity Pooled Fund (f)	47,432	1.2	-	-
United States Pooled Equities Fund	1,118	-	2,727	0.1
Global Structured Equity Pooled Fund	-	-	221,718	6.2
	852,454	20.8	819,582	22.8
Equities in Real Estate				
Private Real Estate Pool (g)	146,873	3.6	98,122	2.7
Total equities	2,492,957	60.6	1,899,726	52.7
Total investments	$ 4,118,948	100.0	$ 3,603,705	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans (97.4%) and provincial bond residuals (2.6%). In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92%). Approximately 65% of the mortgages held will mature within ten years (1998: 90%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(e) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(f) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

(g) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a policy asset mix of 40% to 50% fixed income instruments and 50% to 60% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the Plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999.

	1999	1998
	($ thousands)	
Index swaps		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 149,735	$ -
US Passive Equity Pooled Fund	104,655	97,989
US Structured Equity Pooled Fund	47,189	-
Global Structured Equity Pooled Fund	-	206,913
Canadian equities		
Domestic Passive Equity Pooled Fund	274,636	166,596
Direct	-	73,745
Bonds - Canadian Dollar Public Bond Pool	232,558	243,839
Interest Rate Swaps		
Fixed to floating rates		
Canadian Dollar Public Bond Pool	204,864	163,408
Domestic Passive Equity Pooled Fund	165,005	113,671
EAFE Structured Equity Pooled Fund	90,007	-
US Structured Equity Pooled Fund	32,632	-
US Passive Equity Pooled Fund	18,273	9,121
Floating Rate Note Pool	16,431	-
Global Structured Equity Pooled Fund	-	138,332
	$ 1,335,985	$ 1,213,614

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counter-parties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the Plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $40,624,000 (1998: $77,388,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the Plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $902,000 (1998: $Nil).

Note 6 Accounts Receivable

	1999	1998
	($ thousands)	
Contributions Receivable		
Employers	$ 4,097	$ 4,770
Employees	4,167	4,719
Province of Alberta	-	1,388
Accrued investment income	-	1,505
	$ 8,264	$ 12,382

Note 7 Liability for Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1998 by Buck Consultants Limited and was then extrapolated to December 31, 1999, taking into account significant changes to the Plan since December 31, 1998 (see Note 11). The December 31, 1998 valuation resulted in an actuarial surplus of $406 million as disclosed in the Statement of Net Assets Available for Benefits and Liability for Accrued Benefits.

The valuation as at December 31, 1998 was determined using the projected benefit method, based on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board.

The major assumptions used were:

	December 31	
	1999 Extrapolation %	1998 Valuation %
Investment return	7.5	7.5
Inflation rate (after phase-in period)	3.25	3.25
Salary escalation rate	3.75	3.75
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the liability for accrued benefits by approximately $167 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in an increase in the liability for accrued benefits by approximately $154 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed real long-term investment return would result in an increase in the liability for accrued benefits by approximately $511 million.

Note 8 Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
	($ thousands)			
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,510	$ -	$ 3,510	$ 4,452
Canadian Dollar Public Bond Pool	65,414	(80,963)	(15,549)	104,120
Private Mortgage Pool	14,227	(13,880)	347	16,038
Floating Rate Note Pool	343	(294)	49	-
Real Rate of Return Bonds	120	(236)	(116)	4,516
Short-term Securities	22	-	22	47
Private Bond Pool	-	12	12	7,540
	83,636	(95,361)	(11,725)	136,713
Equities:				
Canadian Pooled Equities Fund	7,706	137,508	145,214	(6,467)
Domestic Passive Equity Pooled Fund	75,527	84,031	159,558	(3,159)
External Managers Fund (Canadian)	2,612	26,920	29,532	(9,046)
Domestic Structured Equity Pooled Fund	6,365	(437)	5,928	-
Structured Note and miscellaneous	(37)	(66)	(103)	(342)
External Managers Fund (Global)	5,481	108,655	114,136	85,177
External Managers Fund (United States)	858	24,167	25,025	28,333
EAFE Structured Equity Pooled Fund	27,517	(296)	27,221	-
US Passive Equity Pooled Fund	18,018	(5,529)	12,489	21,617
US Structured Equity Pooled Fund	3,449	211	3,660	-
United States Pooled Equities Fund	3	(1,401)	(1,398)	(4,290)
Global Structured Equity Pooled Fund	30,786	(5)	30,781	37,706
Private Real Estate Pool	7,447	2,245	9,692	11,110
	185,732	376,003	561,735	160,639
	$ 269,368	$ 280,642	$ 550,010	$ 297,352

(a) Income is comprised of dividends, interest and rental income net of pooled funds management and associated custodial fees.

Note 9 Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 3,719	$ 3,214
Board costs	122	68
Investment management costs	426	557
Actuarial fees	106	135
Other professional fees	34	29
	$ 4,407	$ 4,003

General administration costs and Board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 1999, total administration expenses of $4,407,000 amounted to $72 per member (1998: $67 per member).

Note 10 Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the Plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

Note 11 Subsequent Events

(a) Arrangement to Transfer to the Local Authorities Pension Plan

In December 1999, the Lieutenant Governor in Council approved the transfer of certain active members from the Public Service Pension Plan (PSPP) to the Local Authorities Pension Plan (LAPP) and from the LAPP to the PSPP effective January 1, 2000. Accordingly the Plans' actuaries determined that assets totaling $229,000,000 were required to be transferred from the PSPP to LAPP as a result. The amount was calculated in accordance with provisions of the *Public Sector Pension Plans Act, Alberta Regulation 365/93, as amended,* and actuarial assumptions approved by the respective Boards for the actuarial valuations of both Plans as at December 31, 1998.

The amount plus an adjustment for the average market returns of the Plans from December 31, 1998 to the date of transfer, contributions made by or in respect of the transferred members during 1999 and interest on the contributions will be transferred from the PSPP to the LAPP in 2000. The excess of assets to be transferred over actuarial liability to be released, amounting to $22,000,000, has been included in the Plan's liability for accrued benefits as at December 31, 1999.

(b) Plan Improvements

The Plan was amended, effective February 1, 2000, to improve benefits for those members who leave the Plan before qualifying for retirement. The amendment decreases the vesting period to two years of service from five years, provides termination benefit payments of full commuted value and applies the minimum 50% employer cost rule to al! service. Liability of the Plan for accrued benefits as at December 31, 1999 has been re-determined by the Plan's actuary to include the present value of plan amendment benefits.

Note 12 Responsibility for Financial Statements

These financial statements were approved by the Public Service Pension Board.

Schedule A

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 9,678	$ 56,800	$ 7,559	$ 46,902
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	366,148	2,148,862	430,935	2,673,774
Provincial:				
Alberta, direct and guaranteed	6,084	35,707	31,549	195,750
Other, direct and guaranteed	203,045	1,191,633	186,571	1,157,596
Municipal	15,259	89,549	10,358	64,266
Corporate	574,042	3,368,956	469,244	2,911,470
Private Fixed Income Securities				
Corporate	178,408	1,047,046	183,343	1,137,571
Total deposit and fixed income securities	1,352,664	7,938,553	1,319,559	8,187,329
Receivable from sale of investments and accrued investment income	16,893	99,143	17,918	111,173
Liabilities for investment purchases	(2,593)	(15,218)	(5,373)	(33,341)
	14,300	83,925	12,545	77,832
	$ 1,366,964	$ 8,022,478	$ 1,332,104	$ 8,265,161

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998: 5.44% per annum). The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)

DECEMBER 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,239	$ 5,550	$ 1,579	$ 7,321
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	47,798	214,030	13,834	64,115
Conglomerates	27,995	125,354	18,154	84,138
Consumer products	18,864	84,470	26,326	122,014
Financial services	78,146	349,923	88,303	409,265
Gold and precious minerals	20,043	89,748	17,433	80,800
Industrial products	180,118	806,528	69,550	322,345
Merchandising	9,817	43,958	8,456	39,192
Metals and minerals	22,601	101,204	15,348	71,135
Oil and gas	52,781	236,341	31,959	148,122
Paper and forest products	11,614	52,005	8,250	38,238
Pipelines	7,858	35,188	10,781	49,968
Real estate and construction	15,578	69,754	8,957	41,512
Transportation and environmental services	10,640	47,643	13,377	61,998
Utilities	80,588	360,855	44,755	207,427
Passive index	3,581	16,036	1,869	8,663
	588,022	2,633,037	377,352	1,748,932
Receivable from sale of investments and accrued investment income	2,030	9,090	5,186	24,034
Liabilities for investment purchases	(1,831)	(8,202)	(3,810)	(17,657)
	199	888	1,376	6,377
	$ 589,460	$ 2,639,475	$ 380,307	$ 1,762,630

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 15,062	$ 57,310	$ 7,451	$ 34,407
Short-term Securities	2,355	8,960	2,799	12,924
Floating Rate Note Pool	218,096	829,873	126,230	582,896
	235,513	896,143	136,480	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	28,857	109,805	12,817	59,184
Conglomerates	11,746	44,694	8,438	38,966
Consumer products	19,825	75,435	17,166	79,267
Financial services	52,318	199,073	50,525	233,311
Gold and precious minerals	13,210	50,268	12,768	58,961
Industrial products	123,629	470,418	45,543	210,306
Merchandising	13,152	50,047	9,395	43,386
Metals and minerals	14,351	54,609	8,187	37,807
Oil and gas	35,593	135,433	21,927	101,252
Paper and forest products	12,602	47,950	6,320	29,186
Pipelines	5,483	20,865	7,337	33,881
Real estate and construction	8,304	31,596	5,471	25,262
Transportation and environmental services	5,987	22,781	5,787	26,723
Utilities	54,704	208,154	29,488	136,165
	399,761	1,521,128	241,169	1,113,657
Passive index	1,106	4,210	-	-
Domestic Structured Equity Pooled Fund	-	-	26,277	121,340
	400,867	1,525,338	267,446	1,234,997
United States Public Equities	-	-	549	2,535
Receivable from sale of investments and accrued investment income	28,310	107,720	7,911	36,530
Liabilities for investment purchases	-	-	(2,032)	(9,383)
	28,310	107,720	5,879	27,147
	$ 664,690	$ 2,529,201	$ 410,354	$ 1,894,906

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)

DECEMBER 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 103,839	$ 919,706	$ 182,262	$ 1,069,544
Europe	143,204	1,018,169	134,925	835,531
Pacific Basin	124,455	882,206	75,327	457,418
Emerging markets	10,909	76,055	8,028	47,107
	382,407	2,896,136	400,542	2,409,600
United States	167,609	1,518,742	96,638	597,487
Canadian Public Equity Pools				
Large Cap	164,346	1,055,108	120,199	646,679
Small Cap	75,134	466,572	71,089	428,952
	239,480	1,521,680	191,288	1,075,631
	$ 789,496	$ 5,936,558	$ 688,468	$ 4,082,718

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 1999:

	1999	1998
	($ thousands)	
Cash and short-term securities	$ 97,347	$ 189,924
Receivables from sale of investments and accrued investment income	8,418	18,071
Investments		
Public equities	5,839,208	3,914,560
Convertible bonds	1,500	1,173
Liability for investment purchases	(9,915)	(41,010)
	$ 5,936,558	$ 4,082,718

SPECIAL FORCES PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Accrued Benefits

Statement of Changes in Surplus (Deficiency)

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Public Bond Pool

Schedule of Investments in Canadian Pooled Equities Fund

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Special Forces Pension Board

I have audited the statement of net assets available for benefits and accrued benefits of the Special Forces Pension Plan as at December 31, 1999, and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in deficiency for the year then ended. These financial statements are the responsibility of the plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 6, 2000

SPECIAL FORCES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE OF BENEFITS AND ACCRUED BENEFITS

AS AT DECEMBER 31, 1999
($ thousands)

	1999	1998
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 975,205	$ 841,830
Accounts receivable (Note 6)	1,304	364
	976,509	842,194
Liabilities		
Accounts payable (Note 7)	66	167
Net assets available for benefits	976,443	842,027
Asset fluctuation reserve	61,700	35,000
Actuarial value of net assets available for benefits	$ 914,743	$ 807,027
Accrued Benefits		
Actuarial value of accrued benefits (Note 8)		
Plan Fund	$ 891,646	$ 826,100
Indexing Fund	2,245	12,191
	$ 893,891	$ 838,291
Excess (Deficiency) of actuarial value of net assets over actuarial value of accrued benefits (Note 8)		
Plan Fund *	$ 20,852	$ (31,264)
Indexing Fund	-	-
	$ 20,852	$ (31,264)

* The excess of actuarial value of Plan Fund net assets over actuarial value of accrued benefits is comprised of a pre-1992 deficiency of $11,502,000 (1998: $51,164,000) and a post-1991 surplus of $32,354,000 (1998: $19,900,000).

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	Plan Fund	Indexing Fund	1999	1998
Increase in assets				
Investment income (Note 9)	$ 136,522	$ 2,515	$ 139,037	$ 63,154
Contributions (Note 10)	28,366	2,227	30,593	27,757
Total increase in assets before transfer	164,888	4,742	169,630	90,911
Decrease in assets				
Pension benefits	34,204	-	34,204	32,564
Refunds to members	380	-	380	489
Administration expenses (Note 11)	630	-	630	541
Total decrease in assets before transfer	35,214	-	35,214	33,594
Increase in net assets before transfer	129,674	4,742	134,416	57,317
Transfer from the Indexing Fund to the Plan Fund (Note 12)	14,688	(14,688)	-	-
Increase (decrease) in net assets for the year	144,362	(9,946)	134,416	57,317
Net assets available for benefits at beginning of year	829,836	12,191	842,027	784,710
Net assets available for benefits at end of year	$ 974,198	$ 2,245	$ 976,443	$ 842,027

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS

FOR PERIODS ENDED DECEMBER 31, 1999
($ thousands)

	Year Ended December 31, 1999			Three Years Ended December 31,
	Pre-1992	Post-1991	Total	1998
Increase in accrued benefits				
Interest accrued on benefits	$ 48,100	$ 18,800	$ 66,900	$ 168,300
Benefits earned	-	24,600	24,600	60,100
Cost-of-living indexing adjustments and interest	-	-	-	32,591
Experience losses	-	-	-	43,100
Changes in actuarial assumptions	-	-	-	7,300
	48,100	43,400	91,500	311,391
Decrease in accrued benefits				
Benefits, transfers and interest	32,700	3,200	35,900	100,000
Net increase in accrued benefits	15,400	40,200	55,600	211,391
Accrued benefits at beginning of period	640,200	198,091	838,291	626,900
Accrued benefits at end of period (Note 8)	$ 655,600	$ 238,291	$ 893,891	$ 838,291

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN SURPLUS (DEFICIENCY)

FOR PERIODS ENDED DECEMBER 31, 1999
($ thousands)

	Year Ended December 31, 1999			Three Years Ended December 31,
	Pre-1992	Post-1991	Total	1998
Surplus (Deficiency) at beginning of period	$ (51,164)	$ 19,900	$ (31,264)	$ (49,781)
Net increase in net assets available for benefits	72,862	61,554	134,416	242,208
Net increase in asset fluctuation reserve	(17,800)	(8,900)	(26,700)	(12,300)
Net increase in accrued benefits	(15,400)	(40,200)	(55,600)	(211,391)
Surplus (Deficiency) at end of period	$ (11,502)	$ 32,354	$ 20,852	$ (31,264)

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Special Forces Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 369/93, as amended.

(a) General

The Special Forces Pension Plan is a contributory defined benefit pension plan for police officers employed by participating local authorities in Alberta.

(b) Funding

Plan Fund

Current service costs are funded by employers and employees at rates which are expected to provide for all benefits payable under the plan. The rates in effect at December 31, 1999, are 8.30 percent of pensionable salary for employers and 7.20 percent for employees. Rates are to be reviewed at least once every three years by the Special Forces Pension Board based on recommendations of the plan's actuary.

The unfunded liability for service prior to December 31, 1991 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 1999 are 1.25 percent of pensionable salary for the Province of Alberta, and 0.75 percent each for employers and employees.

Indexing Fund

Benefit payments are funded by post-1991 cost-of-living adjustment (COLA) (see Note 1(i)) contributions from employers and employees at rates that are expected to meet or exceed the funding or solvency requirements of the plan. The rates in effect at December 31, 1999 are 0.75 percent of pensionable salary each for employers and employees. Rates are to be reviewed at least once every three years by the board based on recommendations of the plan's actuary.

Subject to the *Employment Pension Plans Act*, the indexing fund may receive surpluses of the plan fund respecting service after 1991.

(c) Retirement Benefits

The plan provides for a pension of 2.0 percent for each year of pensionable service based on the average salary of the five highest consecutive years. The maximum service allowable under the plan is 35 years. Members are entitled to a pension if they have at least 25 years of service or have at least five years of service and attained age 55. Pensions will be reduced at the age of 65.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least five years of service. Benefits may take the form of a survivor pension, if the beneficiary is a spouse or a dependent minor child, or a lump sum payment. A surviving spouse or the beneficiary of a deceased member with less than five years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least five years of service and who are not immediately entitled to a pension may receive a refund of contributions and interest on service prior to 1992 and the commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of contributions and interest.

(g) Guarantee

Payment of all benefits arising from service before 1994, excluding post-1991 COLA benefits on 1992 and 1993 service (see Note 1 (i)), is guaranteed by the Province of Alberta.

(h) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost-neutral to the plan.

All existing reciprocal agreements were terminated in 1994. New reciprocal agreements have been or are in the process of being renegotiated to provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments (COLA)

Pensions payable by the plan fund are increased each year by 60 percent of the increase in the Alberta Consumer Price Index for service before 1992. Cost-of-living adjustments for service after 1991 are payable by the indexing fund at rates determined by the Special Forces Pension Board.

(j) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes. The plan's registration number is 0584375.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year. They do not reflect the funding requirements of the plan.

The majority of plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The plan's respective percentage ownership in pooled investment funds at December 31, 1999 was as follows:

	% Ownership	
	1999	1998
Canadian Dollar Public Bond Pool	3.6	3.4
Canadian Pooled Equities Fund	6.1	6.6
Domestic Passive Equity Pooled Fund	7.0	5.0
External Managers Fund	3.4	4.5
EAFE Structured Equity Pooled Fund	2.5	-
Floating Rate Note Pool	0.1	-
Private Equity Pool	6.4	6.3
Private Mortgage Pool	3.8	4.1
Private Real Estate Pool	3.4	4.0
US Passive Equity Pooled Fund	3.6	4.3
US Structured Equity Pooled Fund	2.4	-
United States Pooled Equities Fund	4.5	4.5
Domestic Structured Equity Pooled Fund	-	0.4
Global Structured Equity Pooled Fund	-	2.5
Private Bond Pool	-	4.1
Transition Account	-	7.4

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses are amortized equally over three years.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments (Schedules A to D)

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 2,393	0.2	$ 8,197	1.0
Fixed Income Securities				
Canadian Dollar Public Bond Pool (Schedule A)	286,628	29.4	278,745	33.1
Private Mortgage Pool (b)	38,306	3.9	37,886	4.5
Floating Rate Note Pool (c)	3,519	0.4	-	-
Real Rate of Return Bonds	-	-	3,226	0.4
Private Bond Pool	-	-	66	-
Total deposits and fixed income securities	330,846	33.9	328,120	39.0
Canadian Equities				
Canadian Pooled Equities Fund (Schedule B)	160,437	16.5	117,337	13.9
Domestic Passive Equity Pooled Fund (Schedule C)	177,300	18.2	95,249	11.3
External Managers Fund (Canadian) (Schedule D)	70,749	7.3	52,537	6.2
Private Equity Pool (d)	4,931	0.5	6,057	0.7
Structured Note and Transition Account	-	-	27,687	3.3
Domestic Structured Equity Pooled Fund	-	-	493	0.1
Foreign Equities				
External Managers Fund (Global) (Schedule D)	91,812	9.4	105,363	12.5
External Managers Fund (United States) (Schedule D)	38,754	4.0	25,520	3.0
EAFE Structured Equity Pooled Fund (e)	24,804	2.5	-	-
US Passive Equity Pooled Fund (f)	25,503	2.6	25,863	3.1
US Structured Equity Pooled Fund (g)	7,575	0.8	-	-
United States Pooled Equities Fund	293	-	715	0.1
Global Structured Equity Pooled Fund	-	-	34,505	4.1
Equities in Real Estate				
Private Real Estate Pool (h)	42,201	4.3	22,384	2.7
Total equities	644,359	66.1	513,710	61.0
Total investments	$ 975,205	100.0	$ 841,830	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans (97.4%) and provincial bond residuals (2.6%). In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92% per annum). Approximately 65% of the mortgages held will mature in ten years or less (1998: 90%).

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Private Equity Pool is in the process of orderly liquidation.

(e) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(f) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(g) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the pool provides diversification from the securities market.

Note 4 Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the board has established a policy asset mix of 30% to 60% fixed income instruments and 40% to 70% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999.

	1999	1998
	($ thousands)	
Index Swaps		
Foreign equities		
EAFE Structured Equity Pool	$ 24,724	$ -
US Passive Equity Pooled Fund	25,744	25,872
US Structured Equity Pool	7,537	-
Global Structured Equity Pooled Fund	-	32,201
Canadian equities		
Domestic Passive Equity Pooled Fund	73,257	38,669
Domestic Structured Equity Pooled Fund	-	477
Bonds - Canadian Dollar Public Bond Pool	48,763	51,024
Interest Rate Swaps		
Fixed to floating rates		
Canadian Dollar Public Bond Pool	42,956	34,193
Domestic Passive Equity Pooled Fund	44,014	26,385
EAFE Structured Equity Pool	14,862	-
US Structured Equity Pool	5,211	-
US Passive Equity Pooled Fund	4,495	2,408
Floating Rate Note Pool	2,624	-
Global Structured Equity Pooled Fund	-	21,528
Domestic Structured Equity Pooled Fund	-	303
	$ 294,187	$ 233,060

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $9,788,000 (1998: $20,347,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $224,000 (1998: $Nil).

Note 6 Accounts Receivable

	1999	1998
	($ thousands)	
Contributions Receivable		
Employers	$ 554	$ 33
Employees	502	30
Province of Alberta	210	197
Refunds and transfers	38	-
Accrued investment income	-	104
	$ 1,304	$ 364

Note 7 Accounts Payable

	1999	1998
	($ thousands)	
Administration expenses	$ 55	$ 162
Benefits	11	5
	$ 66	$ 167

Note 8 Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 1998 by William M. Mercer Limited and was then extrapolated to December 31, 1999. The December 31, 1998 valuation resulted in a deficiency of $31.3 million as disclosed in the Statement of Net Assets Available for Benefits and Accrued Benefits.

The valuation as at December 31, 1998 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the plan's actuary, adopted by the Special Forces Pension Board.

The major assumptions used were:

	December 31	
	1999 Extrapolation	1998 Valuation
	%	%
Investment return	7.5	7.5
Inflation rate (after phase-in period)	3.5	3.5
Salary escalation rate*	4.0	4.0
Pension cost-of-living increase as a percent of Alberta Consumer Price Index (see Note 12)	60	60

* Includes merit and promotion.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits, which shows the principal components of the change in the actuarial value of accrued benefits between the last two actuarial valuations.

Based on the information provided above, the following table summarizes the actuarial value of net assets, accrued benefits, and the resulting surplus (deficiency) of the Plan Fund as at December 31, 1999.

	1999			1998
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Plan Fund net assets available for benefits	$ 689,698	$ 284,500	$ 974,198	$ 829,836
Asset fluctuation reserve	45,600	16,100	61,700	35,000
Plan Fund actuarial value of net assets	644,098	268,400	912,498	794,836
Plan Fund accrued benefits	655,600	236,046	891,646	826,100
Plan Fund surplus (deficiency)	$ (11,502)	$ 32,354	$ 20,852	$ (31,264)

As at December 31, 1999, the Indexing Fund held investments of $2,245,000 (1998 $12,191,000) with offsetting accrued benefits of the same amount.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in a change in the actuarial surplus of the plan from a surplus of $21 million to a deficiency of $40 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in a change in the actuarial surplus of the plan from a surplus of $21 million to a deficiency of $10 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% increase in the assumed real long-term investment return would result in an increase in the actuarial surplus of the plan from $21 million to $125 million.

Note 9 Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
		($ thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 327	$ -	$ 327	$ 282
Canadian Dollar Public Bond Pool	13,463	(16,689)	(3,226)	22,102
Private Mortgage Pool	2,901	(2,830)	71	3,164
Floating Rate Note Pool	55	(47)	8	-
Real Rate of Return Bonds	15	(30)	(15)	984
Private Bond Pool	-	3	3	1,735
	16,761	(19,593)	(2,832)	28,267
Equities:				
Canadian Pooled Equities Fund	2,196	38,093	40,289	(4,270)
Domestic Passive Equity Pooled Fund	20,043	22,101	42,144	(17,082)
External Managers Fund (Canadian)	799	8,313	9,112	627
Private Equity Pool	174	589	763	(64)
Structured Note and Transition Account	-	1,355	1,355	12,946
Domestic Structured Equity Pooled Fund	43	(3)	40	(3)
External Managers Fund (Global)	1,353	25,149	26,502	22,343
External Managers Fund (United States)	218	6,160	6,378	7,439
EAFE Structured Equity Pool	4,552	(90)	4,462	-
US Passive Equity Pooled Fund	4,300	(1,226)	3,074	5,680
US Structured Equity Pool	551	34	585	-
United States Pooled Equities Fund	1	(367)	(366)	(1,127)
Global Structured Equity Pooled Fund	4,761	(2)	4,759	5,868
Private Real Estate Pool	2,128	644	2,772	2,530
	41,119	100,750	141,869	34,887
	$ 57,880	$ 81,157	$ 139,037	$ 63,154

(a) Income is comprised of dividends, interest and rental income net of pooled funds management and associated custodial fees.

Note 10 Contributions

	1999	1998
	($ thousands)	
Current and past service		
Employers	$ 13,881	$ 12,528
Employees	12,593	11,424
Unfunded liability		
Employers	1,113	1,030
Employees	1,113	1,030
Province of Alberta	1,856	1,716
Transfers from other plans	37	29
	$ 30,593	$ 27,757

Note 11 Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 447	$ 333
Investment management costs	167	170
Actuarial fees	16	38
	$ 630	$ 541

General administration costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $165 per member (1998: $ 146 per member). The $19 per member cost increase in 1999 is attributed to the following factors: increase in business process reengineering cost $24, increase in plan specific cost $9, decrease in operating cost $11, and decrease in investment management cost $3.

Note 12 Transfer from the Indexing Fund to the Plan Fund

Transfer from the Indexing Fund to the Plan Fund is determined by the plan's actuary to finance the payment of cost-of-living increases by the Plan Fund for pensionable service from 1996 to 1998 [see Note 1(i)].

Note 13 Remuneration of Board Members

Remuneration paid to board members, as approved by the Lieutenant Governor in Council, is as follows:

	Chairman	Members
Remuneration Rate for 1999		
Up to 4 hours	$ 138	$ 102
4 to 8 hours	235	168
Over 8 hours	372	265

	1999	1998
During 1999, the following amounts were paid:		
Remuneration		
Chairman	$ 4,258	$ 2,375
Members (6)	18,060	11,078
Travel expenses		
Chairman	4,698	1,747
Members (6)	21,973	12,628

Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown, and is to be paid to the Provincial Treasurer.

Note 14 Budget Information

The accrued benefits are based on the Special Forces Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and management's expectations are disclosed as net experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

Note 15 Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

Note 16 Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Special Forces Pension Board.

Schedule A

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR PUBLIC BOND POOL (a) (b)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 2,029	$ 56,800	$ 1,582	$ 46,902
Public Fixed Income Securities				
Government of Canada, direct and guaranteed	76,775	2,148,862	90,174	2,673,774
Provincial:				
Alberta, direct and guaranteed	1,276	35,707	6,602	195,750
Other, direct and guaranteed	42,575	1,191,633	39,040	1,157,596
Municipal	3,200	89,549	2,167	64,266
Corporate	120,366	3,368,956	98,190	2,911,470
Private Fixed Income Securities				
Corporate	37,409	1,047,046	38,366	1,137,571
Total deposit and fixed income securities	283,630	7,938,553	276,121	8,187,329
Receivable from sale of investments and accrued investment income	3,542	99,143	3,749	111,173
Liabilities for investment purchases	(544)	(15,218)	(1,125)	(33,341)
	2,998	83,925	2,624	77,832
	$ 286,628	$ 8,022,478	$ 278,745	$ 8,265,161

(a) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and bond related derivatives. Competitive returns are achieved through management of portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998: 5.44% per annum). The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	1998
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	100

Schedule B

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN POOLED EQUITIES FUND (a)

DECEMBER 31, 1999

($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 337	$ 5,550	$ 487	$ 7,321
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	13,009	214,030	4,268	64,115
Conglomerates	7,619	125,354	5,601	84,138
Consumer products	5,134	84,470	8,122	122,014
Financial services	21,270	349,923	27,244	409,265
Gold and precious minerals	5,455	89,748	5,379	80,800
Industrial products	49,024	806,528	21,458	322,345
Merchandising	2,672	43,958	2,609	39,192
Metals and minerals	6,152	101,204	4,736	71,135
Oil and gas	14,366	236,341	9,860	148,122
Paper and forest products	3,161	52,005	2,545	38,238
Pipelines	2,139	35,188	3,326	49,968
Real estate and construction	4,240	69,754	2,764	41,512
Transportation and environmental services	2,896	47,643	4,127	61,998
Utilities	21,934	360,855	13,809	207,427
Passive index	975	16,036	577	8,663
	160,046	2,633,037	116,425	1,748,932
Receivable from sale of investments and accrued investment income	553	9,090	1,600	24,034
Liabilities for investment purchases	(499)	(8,202)	(1,175)	(17,657)
	54	888	425	6,377
	$ 160,437	$ 2,639,475	$ 117,337	$ 1,762,630

(a) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in the Canadian market. Risk is reduced by prudent security selection and sector rotation.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,018	$ 57,310	$ 1,730	$ 34,407
Short-term Securities	628	8,960	650	12,924
Floating Rate Note Pool	58,175	829,873	29,300	582,896
	62,821	896,143	31,680	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	7,697	109,805	2,975	59,184
Conglomerates	3,133	44,694	1,958	38,966
Consumer products	5,288	75,435	3,984	79,267
Financial services	13,955	199,073	11,728	233,311
Gold and precious minerals	3,524	50,268	2,963	58,961
Industrial products	32,977	470,418	10,572	210,306
Merchandising	3,508	50,047	2,180	43,386
Metals and minerals	3,828	54,609	1,900	37,807
Oil and gas	9,495	135,433	5,090	101,252
Paper and forest products	3,361	47,950	1,467	29,186
Pipelines	1,463	20,865	1,703	33,881
Real estate and construction	2,215	31,596	1,270	25,262
Transportation and environmental services	1,597	22,781	1,343	26,723
Utilities	14,592	208,154	6,845	136,165
	106,633	1,521,128	55,978	1,113,657
Passive Index	295	4,210	-	-
Domestic Structured Equity Pooled Fund	-	-	6,099	121,340
	106,928	1,525,338	62,077	1,234,997
United States Public Equities	-	-	127	2,535
Receivable from sale of investments and accrued investment income	7,551	107,720	1,837	36,530
Liabilities for investment purchases	-	-	(472)	(9,383)
	7,551	107,720	1,365	27,147
	$ 177,300	$ 2,529,201	$ 95,249	$ 1,894,906

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 25,848	$ 919,706	$ 47,779	$ 1,069,544
Europe	34,001	1,018,169	35,639	835,531
Pacific Basin	29,469	882,206	19,841	457,418
Emerging Markets	2,494	76,055	2,104	47,107
	91,812	2,896,136	105,363	2,409,600
United States	38,754	1,518,742	25,520	597,487
Canadian Public Equity Pools				
Large Cap	52,954	1,055,108	36,050	646,679
Small Cap	17,795	466,572	16,487	428,952
	70,749	1,521,680	52,537	1,075,631
	$ 201,315	$ 5,936,558	$ 183,420	$ 4,082,718

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 1999.

	1999	1998
	($ thousands)	
Cash and short-term securities	$ 97,347	$ 189,924
Receivables from sale of investments and accrued investment income	8,418	18,071
Investments		
Public equities	5,839,208	3,914,560
Convertible bonds	1,500	1,173
Liability for investment purchases	(9,915)	(41,010)
	$ 5,936,558	$ 4,082,718

UNIVERSITIES ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 1999

Auditor's Report

Statement of Net Assets and Accrued Pension Liability

Statement of Changes in Net Assets Available for Benefits

Statement of Changes in Accrued Pension Liability

Statement of Changes in Deficiency

Notes to the Financial Statements

Schedule of Investments in Canadian Dollar Long Bond Pool

Schedule of Investments in Domestic Passive Equity Pooled Fund

Schedule of Investments in External Managers Fund

Schedule of Investment Returns

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Universities Academic Pension Board

I have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan as at December 31, 1999 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in deficiency for the year then ended. These financial statements are the responsibility of the plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 2, 2000

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF NET ASSETS
AND ACCRUED PENSION LIABILITY

AS AT DECEMBER 31, 1999

($ thousands)

	1999	1998
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,746,574	$ 1,539,311
Accrued investment income	2,014	2,322
Contributions receivable:		
Employers	1,535	1,731
Employees	1,598	1,866
Province of Alberta	299	287
	1,752,020	1,545,517
Liabilities		
Accounts payable and accrued liabilities	558	547
Net assets available for benefits	1,751,462	1,544,970
Asset fluctuation reserve	(88,300)	(27,300)
Actuarial value of net assets	1,663,162	1,517,670
Deficiency	109,238	172,730
Accrued pension liability	$ 1,772,400	$ 1,690,400

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1999

($ thousands)

	1999	1998
Contributions received		
Current and past service:		
Employers	$ 19,702	$ 18,515
Employees	20,517	20,155
Additional contributions to meet pre-1992 unfunded liability:		
Employers	2,092	2,404
Employees	2,092	2,404
Province of Alberta	3,873	3,435
Transfers from other plans	48	309
	48,324	47,222
Other income		
Net investment income (Note 6)	241,119	108,802
Payments made		
Pension benefits	(77,726)	(73,629)
Refunds and transfers to members	(4,062)	(3,933)
Plan expenses (Note 7)	(1,163)	(934)
	(82,951)	(78,496)
Increase in net assets	206,492	77,528
Net assets available for benefits at beginning of year	1,544,970	1,467,442
Net assets available for benefits at end of year	$ 1,751,462	$ 1,544,970

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

FOR THE PERIOD ENDED DECEMBER 31, 1999

($ thousands)

	Year ended December 31, 1999			Two years ended December 31, 1998
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 97,700	$ 28,200	$ 125,900	$ 241,900
Benefits earned	-	40,800	40,800	83,900
Net experience losses (gains)	-	-	-	26,500
Changes in actuarial assumptions	-	-	-	49,300
Changes in TIAA - CREF balance	-	-	-	3,200
Present value of prior service payments due	-	-	-	1,000
	97,700	69,000	166,700	405,800
Decrease in accrued pension liability				
Benefits paid, including interest	75,000	9,700	84,700	160,900
Net increase in accrued pension liability	22,700	59,300	82,000	244,900
Accrued pension liability at beginning of period	1,343,121	347,279	1,690,400	1,445,500
Accrued pension liability at end of period (Note 8)	$ 1,365,821	$ 406,579	$ 1,772,400	$ 1,690,400

The periods presented coincide with the performance of the actuarial valuations carried out at December 31, 1996, and 1998 and extrapolation made at December 31, 1999.

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN
STATEMENT OF CHANGES IN DEFICIENCY

FOR PERIOD ENDED DECEMBER 31, 1999
($ thousands)

	Year ended December 31, 1999			Two years ended December 31, 1998
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of period	$ 203,421	$ (30,691)	$ 172,730	$ 222,107
Net increase in net assets available for benefits	(114,000)	(92,492)	(206,492)	(217,677)
Net increase (decrease) in asset fluctuation reserve	43,800	17,200	61,000	(76,600)
Net increase in accrued pension liability	22,700	59,300	82,000	244,900
Deficiency (surplus) at end of period	$ 155,921	$ (46,683)	$ 109,238	$ 172,730

See accompanying notes and schedules.

UNIVERSITIES ACADEMIC PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Note 1 Summary Description of the Plan

The following description of the Universities Academic Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended, and Alberta Regulation 370/93.

(a) General

The Universities Academic Pension Plan is a contributory defined benefit pension plan for all academic staff members and other eligible employees of the universities of Alberta, Calgary, Lethbridge, Athabasca University and The Banff Centre.

(b) Funding Policy

Contributions under the plan and investment earnings are expected to fund all benefits payable under the plan. Contributions are reviewed in consultation with the plan's actuary at least once every three years by the Universities Academic Pension Board.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 1999, are 5.9% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.3% for any excess.

Rates in effect for employees of Athabasca University and The Banff Centre are 5.4% of pensionable salaries up to the Canada Pension Plan's YMPE and 7.8% for any excess. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for each of employer and employee at December 31, 1999 is 0.475% of salary and the rate for the Province of Alberta is 1.25% of salary.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the plan is 35 years. The plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's five-year average YMPE immediately preceding the date of retirement.

Subject to certain conditions, members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 65 and have at least five years of service or have attained age 55 and have at least ten years of service.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least five years of service or have attained age 55 and the sum of their age and service equals 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least five years of service.

(d) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the plan.

Members who become disabled and have at least five years of service and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension. If total service is less than ten years, the pension is based on post-1993 service only. A reduced pension is paid where the member is partially disabled.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member had at least ten years of service, a surviving spouse may choose to receive a survivor pension based on total service. For service between five and ten years, the surviving spouse may choose to receive a pension based on the post-1993 service and a lump sum payment for pre-1994 service. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Termination benefits for service before 1994 are different than for service after 1993.

Refunds in relation to service performed before 1994 are based on both employee and employer contributions plus interest if transferred directly to a RRSP. Otherwise, refunds are restricted to employee contributions and interest.

For service after 1993, the refund depends on whether the member has more or less than five years of total service. If the member has five or more years of service, the refund is based on the greater of the commuted value or 1.75 times employee contributions and interest. If the member has less than five years' service, the refund is equal to employee contributions plus interest. Refunds are subject to the plan lock-in provisions.

Members who terminate with fewer than five years of service and who are not immediately entitled to a pension may receive a refund.

Members who terminate with more than five years of service and are not immediately entitled to a pension may elect to receive a refund or a deferred pension.

(g) Prior Service and Transfers

All prior service purchases are to be made on a basis that is cost-neutral to the plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transferred-out service receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0339572.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year. They do not reflect the funding requirements of the plan.

The majority of plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, the current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of Net Investment Income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned, and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments (Schedules A to C)

Investments are summarized as follows:

	1999		1998	
	($ thousands)	%	($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 17,169	1.0	$ 19,640	1.3
Fixed Income Securities				
Canadian Dollar Long Bond Pool (Schedule A)	438,819	25.1	424,018	27.5
Real Rate of Return Bonds (b)	165,798	9.5	153,105	9.9
Floating Rate Note Pool (c)	19,465	1.1	-	-
Canadian Dollar Public Bond Pool (d)	14,757	0.8	21,079	1.4
Private Bond Pool	-	-	65	-
Total deposit and fixed income securities	656,008	37.5	617,907	40.1
Canadian Equities				
Domestic Passive Equity Pooled Fund (Schedule B)	282,517	16.2	218,236	14.2
External Managers Fund (Canadian) (Schedule C)	133,678	7.7	115,860	7.5
Canadian Pooled Equities Fund (e)	129,435	7.4	106,603	6.9
Private Equity Pool (f)	7,510	0.4	9,226	0.6
Domestic Structured Equity Pooled Fund	-	-	16,801	1.1
Transition Account and miscellaneous	-	-	181	-
Foreign Equities				
External Managers Fund (Global) (Schedule C)	201,099	11.5	187,267	12.2
EAFE Structured Equity Pooled Fund (g)	137,204	7.9	-	-
External Managers Fund (United States) (Schedule C)	102,430	5.9	48,097	3.1
US Passive Equity Pooled Fund (h)	54,299	3.1	48,598	3.2
US Structured Equity Pooled Fund (i)	41,901	2.4	-	-
United States Pooled Equities Fund	493	-	1,202	0.1
Global Structured Equity Pooled Fund	-	-	134,374	8.7
Equities in Real Estate				
Private Real Estate Pool	-	-	34,959	2.3
Total equities	1,090,566	62.5	921,404	59.9
Total investments	$ 1,746,574	100.0	$ 1,539,311	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 1999, securities held by the Pool have an average effective yield of 6.47% per annum based on market (1998: 5.44% per annum). Approximately 74% (1998: 73%) of the securities held will mature in ten years or less.

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(i) The US Structured Equity Pool is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

Note 4 Investment Risk Management

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risk. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

The following is a summary of the plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds as at December 31, 1999:

	1999	1998
	($ thousands)	
Index Swaps:		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 136,763	$ -
US Passive Equity Pooled Fund	54,814	48,615
US Structured Equity Pooled Fund	41,687	-
Global Structured Equity Pooled Fund	-	125,401
Canadian equities		
Domestic Passive Equity Pooled Fund	116,730	88,600
Domestic Structured Equity Pooled Fund	-	16,257
Bonds - Canadian Dollar Public Bond Pool	2,511	3,859
Interest Rate Swaps:		
Fixed to floating rates		
EAFE Structured Equity Pooled Fund	82,210	-
Domestic Passive Equity Pooled Fund	70,133	60,453
US Structured Equity Pooled Fund	28,827	-
Floating Rate Note Pool	14,515	-
US Passive Equity Pooled Fund	9,571	4,525
Canadian Dollar Public Bond Pool	2,212	2,586
Global Structured Equity Pooled Fund	-	83,837
Domestic Structured Equity Pooled Fund	-	10,316
Total	$ 559,973	$ 444,449

Fair values of swaps have been included in the determination of the fair values of the respective pooled investment funds. Credit exposure relating to swaps is minimal as management deals only with counterparties rated not less than AA.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $20,563,000 (1998: $35,893,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $474,000 (1998: $Nil).

Note 6 Net Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
		($ thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,019	$ -	$ 1,019	$ 1,623
Canadian Dollar Long Bond Pool	22,961	(49,060)	(26,099)	(2,601)
Real Rate of Return Bonds	9,896	2,111	12,007	3,069
Floating Rate Note Pool	303	(260)	43	-
Canadian Dollar Public Bond Pool	969	(1,291)	(322)	42,789
Private Bond Pool	-	3	3	1,895
Private Mortgage Pool	-	-	-	3,912
	35,148	(48,497)	(13,349)	50,687
Equities:				
Domestic Passive Equity Pooled Fund	32,620	38,059	70,679	(33,275)
External Managers Fund (Canadian)	1,414	14,404	15,818	1,887
Canadian Pooled Equities Fund	1,799	31,233	33,032	(14,346)
Private Equity Pool	265	899	1,164	(87)
Transition Account and miscellaneous	7	(30)	(23)	26,979
Domestic Structured Equity Pooled Fund	1,455	(101)	1,354	(108)
External Managers Fund (Global)	2,961	58,585	61,546	37,975
EAFE Structured Equity Pooled Fund	25,179	(496)	24,683	-
External Managers Fund (United States)	487	12,586	13,073	12,851
US Passive Equity Pooled Fund	9,400	(2,900)	6,500	9,811
US Structured Equity Pooled Fund	3,047	186	3,233	-
United States Pooled Equities Fund	2	(618)	(616)	(1,891)
Global Structured Equity Pooled Fund	26,334	(2,307)	24,027	14,248
Private Real Estate Pool	-	(2)	(2)	4,071
	104,970	149,498	254,468	58,115
	$ 140,118	$ 101,001	$ 241,119	$ 108,802

(a) Income is comprised of dividends, interest, income and loss on swaps [see Note 2(f)], net of pooled funds management and associated custodial fees.

Note 7 Plan Expenses

	1999	1998
	($ thousands)	
General plan costs	$ 893	$ 632
Investment management costs	225	273
Actuarial fees	45	29
	$ 1,163	$ 934

General plan costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Treasury on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $1,594,000 (1998: $1,154,000), which have been deducted from investment income of the pools, are excluded from plan expenses.

Total expenses including pooled funds management and associated custodial fees amounted to $390 per member (1998: $306 per member). The $84 per member cost increase in 1999 is attributed to the following factors: increase in pooled funds management cost $56, increase in plan specific cost $28, increase in business process reengineering cost $18, decrease in general operations cost $10, and decrease in investment management cost $8.

Total expenses including pooled funds management and associated custodial fees amounted to 0.157% (1998: 0.135%) of assets under administration.

Note 8 Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 1998 by William M. Mercer Limited and then extrapolated to December 31, 1999. The December 31, 1998 valuation resulted in a deficiency of $172.7 million as disclosed in the statement of net assets and accrued pension liability. The valuation as at December 31, 1998 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the plan's actuary, the Universities Academic Pension Board adopted this best estimate.

The major assumptions used were:

	December 31	
	1999 Extrapolation	1998 Valuation
	%	%
Asset real rate of return	4	4
Inflation rate (after phase-in period)	3.25	3.25
Investment return	7.25	7.25
Salary escalation rate (after phasing-in)*	3.25	3.25
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 1999 allocated between the pre-1992 and post-1991 periods:

	1999			1998
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Fair value of assets	$ 1,274,900	$ 476,562	$ 1,751,462	$ 1,544,970
Asset fluctuation reserve	(65,000)	(23,300)	(88,300)	(27,300)
Actuarial value of net assets	1,209,900	453,262	1,663,162	1,517,670
Accrued pension liability	1,365,821	406,579	1,772,400	1,690,400
Deficiency (surplus)	$ 155,921	$ (46,683)	$ 109,238	$ 172,730

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

As at December 31, 1999, holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in an increase in the deficiency of the plan from $109 million to $203 million.

As at December 31, 1999, holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in an increase in the deficiency of the plan from $109 million to $144 million.

As at December 31, 1999, holding the inflation and salary escalation assumptions constant, a 1% increase in the assumed real long-term investment return would result in a change in the deficiency of the plan from a deficiency of $109 million to a surplus of $79 million.

Note 9 Remuneration of Board Members

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

	Chairman	Members
Remuneration rates for 1999:		
Up to 4 hours	$ 138	$ 102
4 to 8 hours	235	168
Over 8 hours	372	265

	1999	1998
During the year, the following amounts were paid:		
Remuneration		
Chairman	$ 5,771	$ 4,909
Members (8)	37,101	31,864
Travel expenses		
Chairman	1,741	3,876
Members (8)	26,681	20,710

Board members are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown and is paid to the Provincial Treasurer.

Note 10 Budget Information

The accrued pension liability is based on the Universities Academic Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and the board's expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11 Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the plan, including those related to stakeholders, suppliers, or other third parties, have been fully resolved.

Schedule A

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR LONG BOND POOL (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 947	$ 947	$ 11,139	$ 11,139
Public Fixed Income Securities (b)				
Government of Canada direct and guaranteed	210,380	210,380	170,093	170,093
Other provincial, direct and guaranteed	136,329	136,329	127,203	127,203
Municipal	11,513	11,513	13,697	13,697
Corporate	73,906	73,906	106,725	106,725
Total deposit and fixed income securities	433,075	433,075	428,857	428,857
Receivable from sale of investments and accrued investment income	5,744	5,744	4,935	4,935
Liabilities for investment purchases	-	-	(9,774)	(9,774)
	5,744	5,744	(4,839)	(4,839)
	$ 438,819	$ 438,819	$ 424,018	$ 424,018

(a) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.65% per annum (1998: 5.52%) based on market value. The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	1998
	%	
0 to 5 years	2	12
5 to 10 years	2	4
10 to 20 years	28	21
over 20 years	68	63
	100	100

Schedule B

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 6,402	$ 57,310	$ 3,963	$ 34,407
Short-term securities	1,001	8,960	1,488	12,924
Floating Rate Note Pool	92,698	829,873	67,132	582,896
	100,101	896,143	72,583	630,227
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	12,266	109,805	6,816	59,184
Conglomerates	4,992	44,694	4,488	38,966
Consumer products	8,426	75,435	9,129	79,267
Financial services	22,237	199,073	26,870	233,311
Gold and precious minerals	5,615	50,268	6,791	58,961
Industrial products	52,547	470,418	24,221	210,306
Merchandising	5,590	50,047	4,997	43,386
Metals and minerals	6,100	54,609	4,354	37,807
Oil and gas	15,128	135,433	11,661	101,252
Paper and forest products	5,356	47,950	3,361	29,186
Pipelines	2,331	20,865	3,902	33,881
Real estate and construction	3,529	31,596	2,910	25,262
Transportation and environmental services	2,545	22,781	3,077	26,723
Utilities	23,251	208,154	15,682	136,165
	169,913	1,521,128	128,259	1,113,657
Passive index	470	4,210	-	-
Domestic Structured Equity Pooled Fund	-	-	13,975	121,340
	170,383	1,525,338	142,234	1,234,997
United States Public Equities	-	-	292	2,535
Receivable from sale of investments and accrued investment income	12,033	107,720	4,207	36,530
Liabilities for investment purchases	-	-	(1,080)	(9,383)
	12,033	107,720	3,127	27,147
	$ 282,517	$ 2,529,201	$ 218,236	$ 1,894,906

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)

DECEMBER 31, 1999
($ thousands)

	1999		1998	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools				
Multi Region	$ 54,599	$ 919,706	$ 80,348	$ 1,069,544
Europe	70,430	1,018,169	67,392	835,531
Pacific Basin	61,181	882,206	35,988	457,418
Emerging Markets	14,889	76,055	3,539	47,107
	201,099	2,896,136	187,267	2,409,600
United States	102,430	1,518,742	48,097	597,487
Canadian Public Equity Pools				
Large Cap	91,084	1,055,108	76,510	646,679
Small Cap	42,594	466,572	39,350	428,952
	133,678	1,521,680	115,860	1,075,631
	$ 437,207	$ 5,936,558	$ 351,224	$ 4,082,718

(a) The External Managers Fund is managed by external managers with expertise in global and Canadian equity markets. The objective of the fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 1999:

	1999	1998
Cash and short-term securities	$ 97,347	$ 189,924
Receivables from sale of investments and accrued investment income	8,418	18,071
Investments		
Public equities	5,839,208	3,914,560
Convertible bonds	1,500	1,173
Fixed income securities		
Liability for investment purchases	(9,915)	(41,010)
	$ 5,936,558	$ 4,082,718

Schedule D

UNIVERSITIES ACADEMIC PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 1999

The plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns for the plan for the one- and five-year periods ended December 31, 1999 are as follows:

	One Year Return					5 Year Compound Annualized Return
	1999	1998	1997	1996	1995	
Time-weighted rates of return						
Short-term fixed income	5.1	5.2	3.6	6.2	7.2	5.6
Scotia Capital Markets 91-Day T - Bill	4.7	4.7	3.2	5.0	7.4	5.0
Long-term fixed income	(2.3)	8.5	9.2	12.3	20.4	9.4
Scotia Capital Markets Universe Bond	(1.1)	9.2	9.6	12.3	20.7	9.9
Canadian equity	27.3	(3.5)	14.7	29.8	14.4	15.9
Toronto Stock Exchange 300 Index	31.7	(1.6)	15.0	28.4	14.5	17.0
Foreign equity	30.6	24.7	15.3	13.0	16.8	19.9
Morgan Stanley (MSCI) World	18.1	33.5	20.9	14.0	17.4	20.6
Real estate*	n/a	12.8	20.7	6.4	7.8	n/a
Russell Canadian Property Index*	n/a	16.0 **	19.0 **	7.0	5.0	n/a
Overall	15.7	7.5	12.4	16.1	17.2	13.7
SEI median, funds over $1 billion	13.3	9.0 ***	14.8 ***	18.0 ***	16.8 ***	14.6

* Real estate return is reported on a net basis after expenses while the Russell Canadian Property Index reports return on a gross basis.

** Revised in 1999. ***Restated in 1999.

ALPHABETICAL LIST OF ENTITIES' FINANCIAL INFORMATION IN MINISTRY ANNUAL REPORTS

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Innovation and Science
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc.	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Innovation and Science
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science, Research and Technology Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Awasak Child and Family Services Authority	Children's Services
Calgary Rocky View Child and Family Services Authority	Children's Services
Child and Family Services Authority – Region 13	Children's Services
Child and Family Services Authority – Region 14	Children's Services
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Diamond Willow Child and Family Services Authority	Children's Services
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Hearthstone Child and Family Services Authority	Children's Services
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Keystone Child and Family Services Authority	Children's Services
Lottery Fund	Gaming
Ma'Mowe Capital Regional Child and Family Services Authority	Children's Services
Metis Settlements Child and Family Services Authority	Children's Services

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY (continued)

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development [1]	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council [1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services [1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment [1]	Human Resources and Employment
Ministry of Infrastructure [1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations [1]	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs [1]	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment
Neegan Awas'sak Child and Family Services Authority	Children's Services
Persons with Developmental Disabilities Calgary Region Community Board	Health and Wellness
Persons with Developmental Disabilities Central Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Edmonton Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Northeast Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Northwest Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
Persons with Developmental Disabilities South Alberta Community Board	Health and Wellness
Ribstone Child and Family Services Authority	Children's Services
S C Financial Ltd.	Treasury
Sakaigun Asky Child and Family Services Authority	Children's Services
Sakaw Askiy Child and Family Services Authority	Children's Services
Silver Birch Child and Family Services Authority	Children's Services
Southeast Alberta Child and Family Services Authority	Children's Services
Sun Country Child and Family Services Authority	Children's Services
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
West Yellowhead Child and Family Services Authority	Children's Services
Wild Rose Foundation, The	Community Development
Windsong Child and Family Services Authority	Children's Services

[1] Ministry includes only the department so separate department financial statements are not necessary.

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	*Ministry Annual Report*
Alberta Cancer Board	Health and Wellness
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan -Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan -Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment